

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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

CIK: **1383650** | IRS No.: **205913059** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-33366** | Film No.: **111182523**  
SIC: **4924** Natural gas distribution

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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

**OR**

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

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

Commission File No. 001-33366

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

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**20-5913059**

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

**700 Milam Street, Suite 800  
Houston, Texas**

(Address of principal executive offices)

**77002**

(Zip Code)

**(713) 375-5000**

(Registrant's telephone number, including area code)

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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 definition 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 October 25, 2011, the issuer had 31,003,154 common units and 135,383,831 subordinated units outstanding.

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

**Item 1. Consolidated Financial Statements**

**CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(in thousands, except unit data)

	September 30, 2011	December 31, 2010
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 94,498	\$ 53,349
Restricted cash and cash equivalents	54,929	13,732
Accounts and interest receivable	1,463	1,378
Accounts receivable—affiliate	897	712
Advances to affiliate	408	3,543
LNG inventory	1,343	1,212
LNG inventory—affiliate	3,230	—
Prepaid expenses and other	7,779	4,727
Total current assets	164,547	78,653
Non-current restricted cash and cash equivalents	82,394	82,394
Property, plant and equipment, net	1,524,340	1,550,465
Debt issuance costs, net	18,726	22,004
Other	13,025	9,976
Total assets	1,803,032	1,743,492
<b>LIABILITIES AND PARTNERS' DEFICIT</b>		
Current liabilities		
Accounts payable	1,120	1,072
Accounts payable—affiliate	3,820	—
Accrued liabilities	58,082	17,848
Accrued liabilities—affiliate	5,902	5,949
Deferred revenue	26,457	26,592
Deferred revenue—affiliate	674	673
Other	778	—
Total current liabilities	96,833	52,134
Long-term debt, net of discount	2,191,244	2,187,724
Deferred revenue	26,500	29,500
Deferred revenue—affiliate	12,266	9,813
Other non-current liabilities	321	329
Commitments and contingencies	—	—

Partners' deficit

Common unitholders (31,003,154 units and 26,416,357 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)	(38,368)	(69,191)
Subordinated unitholders (135,383,831 units issued and outstanding at September 30, 2011 and December 31, 2010)	(473,134)	(453,896)
General partner interest (2% interest with 3,395,653 units and 3,302,045 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)	(12,630)	(12,921)
Total partners' deficit	(524,132)	(536,008)
Total liabilities and partners' deficit	<u>\$ 1,803,032</u>	<u>\$ 1,743,492</u>

See accompanying notes to consolidated financial statements.

**CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per unit data)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
<b>Revenues</b>				
Revenues	\$ 63,669	\$ 65,945	\$ 200,514	\$ 198,776
Revenues—affiliate	1,238	672	12,452	128,382
Total revenues	64,907	66,617	212,966	327,158
<b>Expenses</b>				
Operating and maintenance expense	6,288	5,865	15,878	20,107
Operating and maintenance expense—affiliate	2,612	3,017	8,723	9,167
Depreciation expense	10,766	10,538	32,245	31,661
Development expense	8,971	4,012	26,751	4,625
Development expense—affiliate	923	615	2,746	1,100
General and administrative expense	867	1,245	4,068	5,044
General and administrative expense—affiliate	4,957	4,951	14,973	15,366
Total expenses	35,384	30,243	105,384	87,070
Income from operations	29,523	36,374	107,582	240,088
<b>Other income (expense)</b>				
Interest expense, net	(43,319)	(43,451)	(130,115)	(130,576)
Derivative gain (loss)	(716)	—	(1,164)	461
Other	33	100	140	246
Total other expense	(44,002)	(43,351)	(131,139)	(129,869)
Net income (loss)	\$ (14,479)	\$ (6,977)	\$ (23,557)	\$ 110,219
Basic and diluted net income per common unit	\$ 0.29	\$ 0.31	\$ 0.93	\$ 1.28
Weighted average number of common units outstanding used for basic and diluted net income per common unit calculation	27,408	26,416	26,867	26,416

See accompanying notes to consolidated financial statements.



**CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PARTNERS' AND OWNERS' CAPITAL (DEFICIT)**  
(in thousands)  
(unaudited)

	Common Units	Subordinated Units	General Partner Units	Total
Balance at December 31, 2010	\$ (69,191)	\$ (453,896)	\$ (12,921)	\$ (536,008)
Net loss	(3,848)	(19,238)	(471)	(23,557)
Sale of units	68,681	—	1,456	70,137
Distributions	(34,010)	—	(694)	(34,704)
Balance at September 30, 2011	\$ (38,368)	\$ (473,134)	\$ (12,630)	\$ (524,132)

See accompanying notes to consolidated financial statements.

**CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (23,557)	\$ 110,219
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	32,245	31,661
Non-cash derivative loss	301	124
Amortization of debt issuance costs	3,278	3,759
Amortization of debt discount	3,520	3,521
Investment in restricted cash and cash equivalents	(41,197)	(41,197)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(85)	369
Accounts receivable—affiliate	(185)	3,586
Accounts payable and accrued liabilities	40,416	43,663
Accounts payable and accrued liabilities—affiliate	3,762	1,548
Advances to affiliate	3,135	2,900
Deferred revenue	(3,135)	(3,116)
Deferred revenue—affiliate	—	(62,833)
LNG inventory—affiliate	(3,230)	—
Other	(2,634)	751
Net cash provided by operating activities	<u>12,634</u>	<u>94,955</u>
<b>Cash flows from investing activities</b>		
LNG terminal construction-in-process, net	(6,419)	(3,636)
Advances under long-term contracts and other	(722)	(36)
Net cash used in investing activities	<u>(7,141)</u>	<u>(3,672)</u>
<b>Cash flows from financing activities</b>		
Distributions to unitholders	(34,704)	(151,793)
Proceeds from sale of partnership units	70,360	—
Affiliate payable and other	—	(4)
Net cash provided by (used in) financing activities	<u>35,656</u>	<u>(151,797)</u>
Net increase (decrease) in cash and cash equivalents	41,149	(60,514)
Cash and cash equivalents—beginning of period	53,349	117,542
Cash and cash equivalents—end of period	<u>\$ 94,498</u>	<u>\$ 57,028</u>

See accompanying notes to consolidated financial statements.

**CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**NOTE 1—Basis of Presentation**

The accompanying unaudited Consolidated Financial Statements of Cheniere Energy Partners, L.P. have been prepared in accordance with generally accepted accounting principles in the United States ("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. As used in these Notes to Consolidated Financial Statements, the terms "Cheniere Partners", "we", "us" and "our" refer to Cheniere Energy Partners, L.P. and its wholly owned subsidiaries, unless otherwise stated or indicated by context.

Results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2011.

We are not subject to either federal or state income tax, as the partners are taxed individually on their proportionate share of our earnings.

Certain reclassifications have been made to prior period information to conform to the current presentation. The reclassifications had no effect on our overall consolidated financial position, results of operations or cash flows.

For further information, refer to the consolidated financial statements and accompanying notes included in Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010.

**NOTE 2—Recent Accounting Policies**

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In June 2011, the Financial Accounting Standards Board amended current comprehensive income guidance. The amended guidance eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, we must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. This guidance will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We expect to adopt this guidance in our first fiscal quarter ending March 31, 2012. The adoption of this guidance will not have an impact on our consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

**NOTE 3—Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of cash and cash equivalents that are contractually restricted as to usage or withdrawal, as follows:

Sabine Pass LNG, L.P. ("Sabine Pass LNG") has consummated private offerings of an aggregate principal amount of \$2,215.5 million of Senior Notes (see [Note 6—"Long-Term Debt"](#)). Under the indenture governing the Senior Notes (the "Sabine Pass Indenture"), except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied, including that 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, there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment of \$82.4 million and a fixed charge coverage ratio test of 2:1 must be satisfied.

As of September 30, 2011 and December 31, 2010, we classified the permanent debt service reserve fund of \$82.4 million as non-current restricted cash and cash equivalents. As of September 30, 2011 and December 31, 2010, we classified \$54.9 million and \$13.7 million, respectively, as current restricted cash and cash equivalents for the payment of interest due within twelve months. These cash accounts are controlled by a collateral trustee, and, therefore, are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets.

**CHENIERE ENERGY PARTNERS, L.P. 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, as follows (in thousands):

	September 30, 2011	December 31, 2010
LNG terminal costs		
LNG terminal	\$ 1,637,128	\$ 1,629,427
LNG terminal construction-in-process	486	2,160
LNG site and related costs, net	165	170
Accumulated depreciation	(113,786)	(81,781)
Total LNG terminal costs, net	1,523,993	1,549,976
Fixed assets		
Computers and office equipment	227	227
Vehicles	416	384
Machinery and equipment	974	964
Other	630	550
Accumulated depreciation	(1,900)	(1,636)
Total fixed assets, net	347	489
Property, plant and equipment, net	\$ 1,524,340	\$ 1,550,465

We began depreciating equipment and facilities associated with the initial 2.6 Bcf/d of sendout capacity and 10.1 Bcf of storage capacity of the Sabine Pass LNG terminal when they were ready for use in the third quarter of 2008. We began depreciating equipment and facilities associated with the remaining 1.4 Bcf/d of sendout capacity and 6.8 Bcf of storage capacity of the Sabine Pass LNG terminal when they were ready for use in the third quarter of 2009. Depreciation expense related to the Sabine Pass LNG terminal totaled \$32.0 million and \$31.3 million for the nine months ended September 30, 2011 and 2010, respectively.

**NOTE 5—Accrued Liabilities**

As of September 30, 2011 and December 31, 2010, accrued liabilities consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Interest expense and related debt fees	\$ 54,929	\$ 13,732
Affiliate	5,902	5,949
LNG liquefaction development costs	1,358	1,402
LNG terminal costs	948	1,953
Other	847	761
Total accrued liabilities	\$ 63,984	\$ 23,797

**NOTE 6—Long-Term Debt**

As of September 30, 2011 and December 31, 2010, our long-term debt consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Senior Notes, net of discount	\$ 2,191,244	\$ 2,187,724

In November 2006, Sabine Pass LNG issued an aggregate principal amount of \$2,032.0 million of Senior Notes (the "Senior Notes"), consisting of \$550.0 million of 7¼% Senior Secured Notes due 2013 (the "2013 Notes") and \$1,482.0 million of 7½% Senior Secured Notes due 2016 (the "2016 Notes"). In September 2008, Sabine Pass LNG issued an additional \$183.5 million, before discount, of 2016 Notes whose terms were identical to the previously outstanding 2016 Notes. Interest on the Senior Notes is payable semi-annually in arrears on May 30 and November 30 of each year. The 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.

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

Sabine Pass LNG may redeem some or all of the 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 Senior Notes; or
- the excess of: a) the present value at such redemption date of (i) the redemption price of the Senior Notes plus (ii) all required interest payments due on the 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 Senior Notes, if greater.

Under the Sabine Pass Indenture, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied: 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 there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment of approximately \$82.4 million. 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 Indenture. During the nine months ended September 30, 2011 and 2010, Sabine Pass LNG made distributions to us of \$231.7 million and \$298.6 million, respectively, after satisfying all the applicable conditions in the Sabine Pass Indenture.

**NOTE 7—Description of Equity Interests**

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

The common units have the right to receive minimum quarterly distributions of \$0.425, plus any arrearages thereon, before any distribution is made to the holders of the subordinated units. Subordinated units will convert into common units on a one-for-one basis when we meet financial tests specified in the partnership agreement. Although common and subordinated unitholders are not obligated to fund losses of the partnership, their capital accounts, which would be considered in allocating the net assets of the partnership were it to be liquidated, continue to share in losses.

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

In January 2011, we initiated an at-the-market program to sell up to 1.0 million common units from which the proceeds are used primarily to fund development costs associated with our liquefaction project. As of September 30, 2011, we had sold 0.5 million common units with net proceeds of \$9.0 million. In addition, we received \$1.5 million in net proceeds from our general partner in connection with the exercise of its right to maintain its 2% ownership interest in us. During the nine months ended September 30, 2011, we paid \$0.3 million in commissions to Miller Tabak + Co., Inc., as sales agent, in connection with the at-the-market program.

In September 2011, we sold 3.0 million common units in an underwritten public offering and 1.1 million common units to Cheniere Common Units Holding, LLC ("Cheniere Common Units Holding") at a price of \$15.25 per common unit. We received net proceeds of approximately \$70 million that we are using for general business purposes, including development costs associated with our liquefaction project.



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

**NOTE 8—Financial Instruments**

**Derivative Instruments**

We have entered into certain derivative instruments to hedge the price risk attributable to future purchases of natural gas to be utilized as fuel to operate our LNG terminal ("Fuel Derivatives") and to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory ("LNG Inventory Derivatives"). Changes in the fair value of our derivatives instruments are reported in earnings because we have not elected to designate these derivative instruments as a hedging instrument that is required to qualify for cash flow hedge accounting. The estimated fair value of financial instruments is the amount at which the instrument could be exchanged currently between willing parties.

The fair value of our derivative instruments are based on inputs that are quoted prices in active markets for similar assets or liabilities, resulting in Level 2 categorization of such measurements. The following table (in thousands) sets forth, by level within the fair value hierarchy, the fair value of our derivative instruments assets and liabilities at September 30, 2011:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
LNG Inventory Derivatives asset (1)	\$ —	\$ 476	\$ —	\$ 476
Fuel Derivatives liability (2)	\$ —	\$ 777	\$ —	\$ 777

- (1) LNG Inventory Derivatives asset is classified as other current assets on our Consolidated Balance Sheets. Changes in the fair value of LNG Inventory Derivatives are classified as revenues on our Consolidated Statements of Operations. We recorded revenues of \$0.5 million related to LNG Inventory Derivatives in each of the three and nine months ended September 30, 2011.
- (2) Fuel Derivatives liability is classified as other current liabilities on our Consolidated Balance Sheets. Changes in the fair value of our Fuel Derivatives are classified as derivative gain (loss) on our Consolidated Statements of Operations. We recorded derivative loss of \$0.7 million and \$1.2 million related to Fuel Derivatives in the three and nine months ended September 30, 2011, respectively. We recorded derivative gain of zero and \$0.5 million in the three and nine months ended September 30, 2010, respectively.

**Other Financial Instruments**

The estimated fair value of financial instruments, including those financial instruments for which the fair value option was not elected are set forth in the table below. The carrying amounts reported on our Consolidated Balance Sheets for restricted cash and cash equivalents, accounts receivable, interest receivables and accounts payable approximate fair value due to their short-term nature.

Financial Instruments (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2013 Notes (1)	\$ 550,000	\$ 534,875	\$ 550,000	\$ 541,750
2016 Notes, net of discount (1)	1,641,244	1,530,460	1,637,724	1,523,083

- (1) The fair value of the Senior Notes, net of discount, was based on quotations obtained from broker-dealers who make markets in these and similar instruments.

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

**NOTE 9—Related Party Transactions**

As of September 30, 2011 and December 31, 2010, we had \$0.4 million and \$3.5 million of advances to affiliates, respectively. In addition, we have entered into the following related party transactions:

**LNG Terminal Capacity Agreements**

*Terminal Use Agreement*

In November 2006, Cheniere Marketing, LLC ("Cheniere Marketing") reserved approximately 2.0 Bcf/d of regasification capacity under a firm commitment terminal use agreement ("TUA") with Sabine Pass LNG and was required to make capacity reservation fee payments aggregating approximately \$250 million per year for the period from January 1, 2009, through at least September 30, 2028. Cheniere Energy, Inc. ("Cheniere") guaranteed Cheniere Marketing's obligations under its TUA.

Effective July 1, 2010, Cheniere Marketing assigned its existing TUA with Sabine Pass LNG to Cheniere Energy Investments, LLC ("Cheniere Investments"), our wholly owned subsidiary, including all of its rights, titles, interests, obligations and liabilities in and under the TUA. In connection with the assignment, Cheniere's guarantee of Cheniere Marketing's obligations under the TUA was terminated. Cheniere Investments is required to make capacity payments under the TUA aggregating approximately \$250 million per year through at least September 30, 2028; however, the revenue earned from Cheniere Investments' capacity payments is eliminated upon consolidation of our financial statements. We have guaranteed Cheniere Investments' obligations under its TUA.

*Variable Capacity Rights Agreement*

Concurrently with the TUA assignment, Cheniere Investments entered into a Variable Capacity Rights Agreement ("VCRA") with Cheniere Marketing in order for Cheniere Investments to monetize its capacity at the Sabine Pass LNG terminal. The VCRA will continue until the earliest of (a) the termination of Cheniere Investments' TUA, (b) expiration of the initial term of the TUA, (c) the termination of the VCRA by either party after two years, and (d) the termination of the VCRA as a result of default. Prior to 2018, Cheniere Marketing's termination right is subject to our having specified levels of cash reserved for distribution to our common unitholders as of the applicable termination date. Under the terms of the VCRA, Cheniere Marketing will be responsible for monetizing the capacity at the Sabine Pass LNG terminal and will have the right to utilize all of the services and other rights at the Sabine Pass LNG terminal available under the TUA assigned to Cheniere Investments. In consideration of these rights, Cheniere Marketing is obligated to pay Cheniere Investments 80% of the expected gross margin of each cargo of LNG delivered to the Sabine Pass LNG terminal. To the extent payments from Cheniere Marketing to Cheniere Investments under the VCRA increase our available cash in excess of the common unit and general partner distributions and certain reserves, the cash would be distributed to Cheniere Subsidiary Holdings, LLC in the form of distributions on its subordinated units. During the term of the VCRA, Cheniere Marketing is responsible for the payment of taxes and new regulatory costs under the TUA. Cheniere has guaranteed all of Cheniere Marketing's payment obligations under the VCRA. We recorded \$0.7 million and \$9.8 million of revenues—affiliate from Cheniere Marketing in the three and nine months ended September 30, 2011, respectively, related to the VCRA.

**LNG Lease Agreement**

In September 2011, Cheniere Investments entered into an agreement in the form of a lease (the "LNG Lease Agreement") with Cheniere Marketing that will enable Cheniere Investments to supply the Sabine Pass LNG terminal with LNG to maintain proper LNG inventory levels and temperature. The LNG Lease Agreement also enables Cheniere Investments to hedge the exposure to variability in expected future cash flows of its LNG inventory. Under the terms of the LNG Lease Agreement, Cheniere Marketing will fund all activities related to the purchase and hedging of the LNG, and Cheniere Investments will reimburse Cheniere Marketing for all costs and assume full price risk associated with these activities.

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

As a result of Cheniere Investments assuming full price risk associated with the LNG Lease Agreement, LNG inventory purchased by Cheniere Marketing under this arrangement is classified as LNG inventory—affiliate on our Consolidated Balance Sheets, and is recorded at cost and subject to lower of cost or market adjustments at the end of each period. LNG inventory—affiliate cost is determined using the average cost method. Recoveries of losses resulting from interim period lower of cost or market adjustments are made due to market price recoveries on the same LNG inventory—affiliate in the same fiscal year and are recognized as gains in later interim periods with such gains not exceeding previously recognized losses. Gains or losses on the sale of LNG inventory—affiliate and lower of cost or market adjustments are recorded as revenues on our Consolidated Statements of Operations. At September 30, 2011, we had \$3.2 million in LNG inventory—affiliate on our Consolidated Balance Sheets. During the three months ended September 30, 2011, we recorded revenues of (\$5.2) million related to lower of cost or market adjustments and sales of LNG inventory—affiliate.

Cheniere Marketing has entered into financial derivatives to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory under the LNG Lease Agreement. The fair value of these derivative instruments are classified as other current assets on our Consolidated Balance Sheets. Changes in the fair value of these derivative instruments are classified as revenues on our Consolidated Statements of Operations. We recorded derivative revenues of \$0.5 million related to LNG inventory derivatives in each of the three and nine months ended September 30, 2011.

### **Service Agreements**

During the three months ended September 30, 2011 and 2010, we paid an aggregate of \$4.8 million and \$2.0 million, respectively, under the following service agreements. During the nine months ended September 30, 2011 and 2010, we paid an aggregate of \$14.2 million and \$11.3 million, respectively, under the following service agreements.

#### *Sabine Pass LNG O&M Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year operation and maintenance agreement (the "O&M Agreement") with a wholly owned subsidiary of Cheniere pursuant to which we receive all necessary services required to construct, operate and maintain the Sabine Pass LNG receiving terminal. Sabine Pass LNG is required to pay a fixed monthly fee of \$130,000 (indexed for inflation) under the agreement, and the counterparty is entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and the counterparty at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse the counterparty for its operating expenses, which consist primarily of labor expenses.

#### *Sabine Pass LNG Management Services Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year management services agreement ("MSA") with its general partner, which is our wholly owned subsidiary, pursuant to which its general partner was appointed to manage the construction and operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the O&M Agreement. In August 2008, the general partner of Sabine Pass LNG assigned all of its rights and obligations under the MSA to Cheniere LNG Terminals, Inc. ("Cheniere Terminals"), a wholly owned subsidiary of Cheniere. Sabine Pass LNG is required to pay Cheniere Terminals a monthly fixed fee of \$520,000 (indexed for inflation).

#### *Cheniere Partners Services Agreement*

In March 2007, we entered into a services agreement with Cheniere Terminals pursuant to which we would pay Cheniere Terminals an annual administrative fee of \$10.0 million (adjusted for inflation) for the provision of various general and administrative services for our benefit following the closing of our initial public offering. Payments under this services agreement commenced January 1, 2009. In addition, we reimburse Cheniere Terminals for its services in an amount equal to the sum of all out-of-pocket costs and expenses incurred by Cheniere Terminals directly related to our business or activities.

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

In June 2010, Cheniere Terminals and we amended, effective as of July 1, 2010, the fee structure for the various general and administrative services provided by Cheniere Terminals for our benefit and changed it from a fixed fee to a variable fee not to exceed \$2.5 million per quarter (indexed for inflation). The amended and restated services agreement provides that fees will be paid quarterly from our unrestricted cash and cash equivalents remaining after making distributions to the common unitholders and the general partner in respect of each quarter and retaining certain reserves. Our ability to pay management fees is dependent on Cheniere Terminals' ability to, among other things, manage our and Sabine Pass LNG's operating and administrative expenses, monetize the 2.0 Bcf/d regasification capacity held by Cheniere Investments and develop new projects through either internal development or acquisition to increase cash flow.

**Agreement to Fund Sabine Pass LNG's Cooperative Endeavor Agreements**

In July 2007, Sabine Pass LNG executed Cooperative Endeavor Agreements ("CEAs") with various Cameron Parish, Louisiana taxing authorities that allow them to collect certain annual property tax payments from Sabine Pass LNG in 2007 through 2016. This ten-year initiative represents an aggregate \$25.0 million commitment and will make resources available to the Cameron Parish taxing authorities on an accelerated basis in order to aid in their reconstruction efforts following Hurricane Rita. In exchange for Sabine Pass LNG's payments of annual ad valorem taxes, Cameron Parish will grant Sabine Pass LNG a dollar for dollar credit against future ad valorem taxes to be levied against the Sabine Pass LNG terminal starting in 2019. In September 2007, Sabine Pass LNG modified its TUA with Cheniere Marketing, pursuant to which Cheniere Marketing will pay Sabine Pass LNG additional TUA revenues equal to any and all amounts payable under the CEAs in exchange for a similar amount of credits against future TUA payments it would owe Sabine Pass LNG under its TUA starting in 2019. In June 2010, Cheniere Marketing assigned its existing TUA to Cheniere Investments and concurrently entered into the VCRA, allowing Cheniere Marketing to monetize Cheniere Investments' capacity under the TUA after the assignment. The VCRA provides that Cheniere Marketing will continue to fund the CEAs during the term of the VCRA and, in exchange, Cheniere Marketing will receive any future credits.

On a consolidated basis, these TUA payments were recorded to other assets, and payments from Cheniere Marketing that Sabine Pass LNG utilized to make the ad valorem tax payments were recorded as deferred revenue. As of September 30, 2011 and December 31, 2010, we had \$12.3 million and \$9.8 million of other assets and deferred revenue resulting from Sabine Pass LNG's ad valorem tax payments and the advance TUA payments received from Cheniere Marketing, respectively.

**Contracts for Sale and Purchase of Natural Gas and Sale of LNG**

Sabine Pass LNG is able to sell or purchase natural gas or LNG under an agreement with Cheniere Marketing. Under this agreement, Sabine Pass LNG purchases natural gas or LNG from Cheniere Marketing at a sales price equal to the actual purchase cost paid by Cheniere Marketing to suppliers of the natural gas or LNG, plus any third-party costs incurred by Cheniere Marketing in respect of the receipt, purchase, and delivery of the natural gas or LNG to the Sabine Pass LNG terminal.

Sabine Pass LNG purchased \$1.1 million and \$1.2 million of natural gas and LNG from Cheniere Marketing under this agreement in the three months ended September 30, 2011 and 2010, respectively. Sabine Pass LNG purchased \$3.2 million and \$1.8 million of natural gas and LNG from Cheniere Marketing under this agreement in the nine months ended September 30, 2011 and 2010, respectively.

**LNG Terminal Export Agreement**

In January 2010, Sabine Pass LNG and Cheniere Marketing entered into an LNG Terminal Export Agreement that provides Cheniere Marketing the ability to export LNG from the Sabine Pass LNG terminal. Sabine Pass LNG recorded zero revenues—affiliate pursuant to this agreement in each of the three months ended September 30, 2011 and 2010. Sabine Pass LNG recorded revenues—affiliate of \$0.3 million and \$0.9 million pursuant to this agreement in the nine months ended September 30, 2011 and 2010, respectively.

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

**Tug Boat Lease Sharing Agreement**

In connection with its tug boat lease, Sabine Pass Tug Services, LLC, a wholly owned subsidiary of Sabine Pass LNG ("Tug Services"), entered into a tug sharing agreement with Cheniere Marketing to provide its LNG cargo vessels with tug boat and marine services at the Sabine Pass LNG terminal. Tug Services recorded revenues—affiliate from Cheniere Marketing of \$0.7 million pursuant to this agreement in the three months ended September 30, 2011 and 2010. Tug Services recorded revenues—affiliate from Cheniere Marketing of \$2.0 million pursuant to this agreement in each of the nine months ended September 30, 2011 and 2010.

**NOTE 10—Cash Distributions and Net Income (Loss) per Common Unit**

**Cash Distributions**

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in our partnership agreement). Generally, our available cash is our cash on hand at the end of a quarter less the amount of any reserves established by our general partner. All distributions paid to date have been made from operating surplus as defined in the partnership agreement. The following provides a summary of distributions paid by us during the nine months ended September 30, 2011 (in thousands, except per unit data):

Date Paid	Period Covered by Distribution	Distribution Per Common Unit	Total Distribution		
			Common Units	Subordinated Units	General Partner Units
February 11, 2011	October 1 - December 31, 2010	\$ 0.425	\$ 11,229	\$ —	\$ 229
May 13, 2011	January 1, 2011 - March 31, 2011	\$ 0.425	\$ 11,335	\$ —	\$ 231
August 12, 2011	April 1, 2011 - June 30, 2011	\$ 0.425	\$ 11,446	\$ —	\$ 234

The subordinated units will receive distributions only to the extent we have available cash above the minimum quarterly distribution requirement for our common unitholders and general partner and certain reserves. As a result of the assignment of Cheniere Marketing's TUA to Cheniere Investments, effective July 1, 2010, our available cash for distributions was reduced. Therefore, we have not paid distributions on our subordinated units since the distribution made with respect to the quarter ended March 31, 2010.

**Net Income (Loss) per Common Unit**

Net income (loss) per common unit for a given period is based on the distributions that will be made to the unitholders with respect to the period plus an allocation of undistributed net income (loss) based on provisions of the partnership agreement, divided by the weighted average number of common units outstanding. The two class method dictates that net income (loss) for a period be reduced by the amount of available cash that will be distributed with respect to that period and that any residual amount representing undistributed net income be allocated to common unitholders and other participating unitholders to the extent that each unit may share in net income as if all of the net income for the period had been distributed in accordance with the partnership agreement. Undistributed income is allocated to participating securities based on the distribution waterfall for available cash specified in the partnership agreement. Undistributed losses (including those resulting from distributions in excess of net income) are allocated to common units and other participating securities on a pro rata basis based on provisions of the partnership agreement. Distributions are treated as distributed earnings in the computation of earnings per common unit even though cash distributions are not necessarily derived from current or prior period earnings.

Under our partnership agreement, the incentive distribution rights ("IDRs") participate in net income (loss) only to the extent of the amount of cash distributions actually declared, thereby excluding the IDRs from participating in undistributed net income (loss). We did not allocate earnings or losses to IDR holders for the purpose of the two class method earnings per unit calculation for any of the periods presented.



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

The following table provides a reconciliation of net income (loss) and the allocation of net income (loss) to the common units and the subordinated units for purposes of computing net income (loss) per unit (in thousands, except per unit data):

	Total	Limited Partner Units		General Partner
		Common Units	Subordinated Units	
<b>Three Months Ended September 30, 2011</b>				
Net loss	\$ (14,479)			
Declared distributions	13,445	13,176	—	269
Assumed allocation of undistributed net loss	(27,924)	(5,099)	(22,267)	(558)
Assumed allocation of net income (loss)		\$ 8,077	\$ (22,267)	\$ (289)
Weighted average units outstanding		27,408	135,384	
Net income (loss) per unit		\$ 0.29	\$ (0.16)	
<b>Three Months Ended September 30, 2010</b>				
Net loss	\$ (6,977)			
Declared distributions	11,456	11,227	—	229
Assumed allocation of undistributed net loss	(18,433)	(2,949)	(15,115)	(369)
Assumed allocation of net income (loss)		\$ 8,278	\$ (15,115)	\$ (140)
Weighted average units outstanding		26,416	135,384	
Net income (loss) per unit		\$ 0.31	\$ (0.11)	
<b>Nine Months Ended September 30, 2011</b>				
Net loss	\$ (23,557)			
Declared distributions	36,691	35,957	—	734
Assumed allocation of undistributed net loss	(60,248)	(11,002)	(48,041)	(1,205)
Assumed allocation of net income (loss)		\$ 24,955	\$ (48,041)	\$ (471)
Weighted average units outstanding		26,867	135,384	
Net income (loss) per unit		\$ 0.93	\$ (0.35)	
<b>Nine Months Ended September 30, 2010</b>				
Net income	\$ 110,219			
Declared distributions	93,080	33,681	57,538	1,861
Assumed allocation of undistributed net income	17,139	—	16,796	343
Assumed allocation of net income		\$ 33,681	\$ 74,334	\$ 2,204
Weighted average units outstanding		26,416	135,384	
Net income per unit		\$ 1.28	\$ 0.55	

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

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

	Nine Months Ended	
	September 30,	
	2011	2010
Cash paid for interest, net of amounts capitalized	\$ 82,120	\$ 82,340



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Information Regarding Forward-Looking Statements

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

- statements regarding our ability to pay distributions to our unitholders;
- our expected receipt of cash distributions from Sabine Pass LNG, L.P. ("Sabine Pass LNG");
- statements regarding future levels of domestic natural gas production, supply or consumption; future levels of liquefied natural gas ("LNG") imports into North America; sales of natural gas in North America or other markets; exports of LNG from North America; and the transportation, other infrastructure or prices related to natural gas, LNG or other energy sources;
- statements regarding any financing or refinancing transactions or arrangements, or ability to enter into such transactions or arrangements, whether on the part of Cheniere Energy Partners, L.P. or any subsidiary or at the project level;
- statements regarding any commercial arrangements presently contracted, optioned or marketed, or potential arrangements, to be performed substantially in the future, including any cash distributions and revenues anticipated to be received and the anticipated timing thereof, and statements regarding the amounts of total LNG regasification, liquefaction or storage capacity that are, or may become, subject to such commercial arrangements;
- statements regarding counterparties to our commercial contracts, construction contracts and other contracts;
- statements relating to the construction and operations of our proposed liquefaction project, including statements concerning the completion by certain dates or at all, the costs related thereto and certain characteristics, including amounts of liquefaction capacity and storage capacity and the number of LNG trains;
- statements that we expect to receive an order from the Federal Energy Regulatory Commission ("FERC") authorizing us to construct and operate our proposed liquefaction facilities by certain dates, or at all;
- statements regarding any business strategy, any business plans or any other plans, forecasts, projections or objectives, including potential revenues and capital expenditures, any or all of which are subject to change;
- statements regarding legislative, governmental, regulatory, administrative or other public body actions, requirements, permits, investigations, proceedings or decisions; and
- any other statements that relate to non-historical or future information.

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

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 Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010. 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.

As used herein, the terms "Cheniere Partners," "we," "our" and "us" refer to Cheniere Energy Partners, L.P. and its wholly owned subsidiaries effective March 26, 2007 upon the closing of its initial public offering, and to certain entities under common control prior to March 26, 2007, unless otherwise stated or indicated by context.

## 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 in Item 1. "Consolidated Financial Statements". 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 2011 Events
- Liquidity and Capital Resources
- Results of Operations
- Off-Balance Sheet Arrangements
- Summary of Critical Accounting Policies and Estimates

## Overview of Business

We are a Delaware limited partnership formed by Cheniere Energy, Inc. ("Cheniere"). Through our wholly owned subsidiary, Sabine Pass LNG, we own and operate the Sabine Pass LNG terminal located in western Cameron Parish, Louisiana on the Sabine Pass Channel. The Sabine Pass LNG terminal has regasification capacity of approximately 4.0 billion cubic feet per day ("Bcf/d") and five LNG storage tanks with an aggregate LNG storage capacity of approximately 16.9 Bcf along with two unloading docks capable of handling the largest LNG carriers currently being operated or built. We are developing a liquefaction project to provide bi-directional LNG import and export service at the Sabine Pass LNG terminal.

## Overview of Significant 2011 Events

In the first nine months of 2011, and through the date of this Form 10-Q, we continue to execute our strategy to operate the Sabine Pass LNG terminal and generate steady and reliable revenues under Sabine Pass LNG's long-term terminal use agreements ("TUAs"). The major events that have occurred in the first nine months of 2011 and through the date of this Form 10-Q include the following:

- In January 2011, Sabine Pass Liquefaction, LLC ("Sabine Liquefaction") and Sabine Pass LNG, our wholly owned subsidiaries, submitted an application to the FERC requesting authorization to site, construct and operate liquefaction and export facilities at the Sabine Pass LNG terminal.
- In January 2011, we initiated an at-the-market program to sell up to 1.0 million common units the proceeds from which are used primarily to fund development costs associated with our liquefaction project. As of September 30, 2011, we had sold 0.5 million common units with net proceeds of \$9.0 million.
- In May 2011, Sabine Liquefaction received an order from the U.S. Department of Energy ("DOE") with authorization to export domestically produced natural gas from the Sabine Pass LNG terminal as LNG to any country that has, or in the future develops, the capacity to import LNG and with which trade is permissible.
- In September 2011, we sold 3,000,000 common units in an underwritten public offering and 1,072,131 common units to Cheniere Common Units Holding, LLC, ("Cheniere Common Units Holding") at a price of \$15.25 per common unit. We received net proceeds of approximately \$70 million that we are using for general business purposes, including development costs of our expansion project to add liquefaction capacity at the Sabine Pass LNG terminal.
- In October 2011, Sabine Liquefaction entered into its first LNG sale and purchase agreement ("SPA") with BG Gulf Coast LNG, LLC ("BG"), an affiliate of BG Energy Holdings Limited, under which BG has agreed to purchase 182,500,000 MMBtu of LNG per year (approximately 3.5 mtpa).

## Liquidity and Capital Resources

### *Cash and Cash Equivalents*

As of September 30, 2011, we had \$94.5 million of cash and cash equivalents and \$137.3 million of restricted cash and cash equivalents, which is restricted to pay interest on the Senior Notes described below.

The foregoing funds and funds generated from operations are anticipated to be sufficient to fund operating expenditures and interest requirements. Sabine Pass LNG expects to have sufficient cash flow from payments made under its Total Gas and Power North America, Inc. ("Total") and Chevron U.S.A. Inc. ("Chevron") TUAs to allow it to meet its future operating expenditures and interest payment requirements until maturity of the 2013 Notes. Sabine Pass LNG must satisfy certain restrictions under the indenture governing the Sabine Pass Notes (the "Sabine Pass Indenture") in order to continue to make distributions to us, which will require that Sabine Pass LNG continue to receive substantial revenues from Cheniere Energy Investments, LLC ("Cheniere Investments") or other customers in addition to payments made under its Total and Chevron TUAs.

In January 2011, we initiated an at-the-market program to sell up to 1.0 million common units the proceeds from which are used primarily to fund development costs associated with our liquefaction project. As of September 30, 2011, we had sold 0.5 million common units with net proceeds of \$9.0 million. In addition, we received \$0.2 million in net proceeds from our general partner in connection with the exercise of its right to maintain its 2% ownership interest in us. During the nine months ended September 30, 2011, we paid \$0.3 million in commissions to Miller Tabak + Co., Inc., as sales agent, in connection with the at-the-market program.

In September 2011, we sold 3,000,000 common units in an underwritten public offering and 1,072,131 common units to Cheniere Common Units Holding LLC ("Cheniere Common Units Holding") at a price of \$15.25 per common unit. We received net proceeds of approximately \$70 million that we are using for general business purposes, including development costs associated with our liquefaction project.

### *TUA Revenues*

The entire approximately 4.0 Bcf/d of regasification capacity at the Sabine Pass LNG terminal has been fully reserved under three 20-year, firm commitment TUAs. Approximately 2.0 Bcf/d is contracted with unaffiliated third parties and approximately 2.0 Bcf/d is contracted with Cheniere Investments. Each of the three customers at the Sabine Pass LNG terminal must make the full contracted amount of capacity reservation fee payments under its TUA whether or not it uses any of its reserved capacity. Capacity reservation fee TUA payments are made by Sabine Pass LNG's third-party customers as follows:

- Total has reserved approximately 1.0 Bcf/d of regasification capacity and is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years that commenced April 1, 2009. Total, S.A. has guaranteed Total's obligations under its TUA up to \$2.5 billion, subject to certain exceptions; and
- Chevron has reserved approximately 1.0 Bcf/d of regasification capacity and is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years that commenced July 1, 2009. Chevron Corporation has guaranteed Chevron's obligations under its TUA up to 80% of the fees payable by Chevron.

Each of Total and Chevron previously paid Sabine Pass LNG \$20.0 million in nonrefundable advance capacity reservation fees, which are being amortized over a 10-year period as a reduction of each customer's regasification capacity reservation fees payable under its respective TUA.

In November 2006, Cheniere Marketing reserved approximately 2.0 Bcf/d of regasification capacity under a TUA and was obligated to make capacity payments to Sabine Pass LNG aggregating approximately \$250 million per year for the period from January 1, 2009, through at least September 30, 2028. In June 2010, Cheniere Marketing assigned its TUA with Sabine Pass LNG to Cheniere Investments, including all of its rights, titles, interests, obligations and liabilities under the TUA. In connection with the assignment, Cheniere's guarantee of Cheniere Marketing's obligations under the TUA was terminated. Cheniere Investments is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$250 million per year through at least September 30, 2028; however, the revenue earned by Sabine Pass LNG from Cheniere Investments' capacity payments under the TUA is eliminated upon consolidation of our financial statements. We have guaranteed Cheniere Investments' obligations under its TUA.



Concurrently with the TUA assignment, Cheniere Investments entered into a Variable Capacity Rights Agreement ("VCRA") with Cheniere Marketing in order for Cheniere Investments to monetize its capacity at the Sabine Pass LNG terminal. The VCRA will continue until the earliest of (a) the termination of Cheniere Investments' TUA, (b) expiration of the initial term of the TUA, (c) the termination of the VCRA by either party after two years, or (d) the termination of the VCRA as a result of default. Prior to 2018, Cheniere Marketing's termination right is subject to our having specified levels of cash reserved for distribution to our common unitholders as of the applicable termination date. Under the terms of the VCRA, Cheniere Marketing is responsible for monetizing the capacity at the Sabine Pass LNG terminal held by Cheniere Investments and has the right to utilize all of the services and other rights at the Sabine Pass LNG terminal available under the TUA assigned to Cheniere Investments. In consideration of these rights, Cheniere Marketing is obligated to pay Cheniere Investments 80% of the expected gross margin of each cargo of LNG delivered to the Sabine Pass LNG terminal. To the extent payments from Cheniere Marketing to Cheniere Investments under the VCRA increase our available cash in excess of the common unit and general partner distributions and certain reserves, the cash would be distributed to Cheniere in the form of distributions on its subordinated units. During the term of the VCRA, Cheniere Marketing is responsible for the payment of taxes and new regulatory costs under the TUA. Cheniere has guaranteed all of Cheniere Marketing's payment obligations under the VCRA. Cheniere Marketing continues to develop its business, lacks a credit rating and may be limited by access to capital. Cheniere, which has guaranteed the obligations of Cheniere Marketing under the VCRA, has a non-investment grade corporate rating.

### ***Liquefaction Project***

In June 2010, we initiated a project to add liquefaction services at the Sabine Pass LNG terminal that would transform the terminal into a bi-directional facility capable of liquefying natural gas and exporting LNG in addition to importing and regasifying foreign-sourced LNG. As currently contemplated, the liquefaction project would be designed and permitted for up to four LNG trains, each with a nominal production capacity of approximately 4.5 mtpa. We anticipate LNG export from the Sabine Pass LNG terminal could commence as early as 2015, and may be constructed in phases, with each LNG train commencing operations approximately six to nine months after the previous LNG train.

We intend for Sabine Liquefaction to enter into long-term commercial contracts for at least 3.5 mtpa (approximately 0.5 Bcf/d) per LNG train, before reaching a final investment decision regarding the development of the LNG trains.

In October 2011, Sabine Liquefaction entered into an SPA with BG under which BG has agreed to purchase 182,500,000 MMBtu of LNG per year (approximately 3.5 mtpa). The SPA has a term of twenty years commencing upon the date of first commercial delivery, and an extension option of up to ten years. BG will pay a fixed sales charge of \$2.25 per MMBtu for the full contract quantity, equivalent to approximately \$410 million per year, paid ratably on a monthly basis. BG will also pay Sabine Liquefaction a contract sales price for each MMBtu of LNG delivered under the SPA of 115% of the final settlement price for the New York Mercantile Exchange Henry Hub natural gas futures contract for the month in which the relevant cargo is scheduled. The SPA is subject to certain conditions precedent, including but not limited to, Sabine Liquefaction receiving regulatory approvals, securing necessary financing arrangements and making a final investment decision to construct the liquefaction facilities.

We are negotiating additional definitive agreements with potential customers.

In August 2010, Sabine Liquefaction received approval from the FERC to begin the pre-filing process required to seek authorization to commence construction of the liquefaction project. In January 2011, the pre-filing period was completed and therefore Sabine Liquefaction submitted an application to the FERC requesting authorization to site, construct and operate liquefaction and export facilities at the Sabine Pass LNG terminal. In September 2010, the DOE granted Sabine Liquefaction an order authorizing Sabine Liquefaction to export up to the equivalent of approximately 800 Bcf per year (approximately 16 mtpa) of domestically produced LNG from the Sabine Pass LNG terminal to Free Trade Agreement ("FTA") countries for a 30-year term, beginning on the earlier of the date of first export or September 7, 2020. In May 2011, Sabine Liquefaction received an order from the DOE with authorization to export domestically produced natural gas to any country that has, or in the future develops, the capacity to import LNG and with which trade is permissible. Under the order, Sabine Liquefaction received long-term, multi-contract authority to export on its behalf, or as agent for others, up to the equivalent of approximately 800 Bcf per year (approximately 16 mtpa) of domestically produced natural gas as LNG. The authorization commences on the earlier of the first export or five years from the date of issuance of the authorization. The authorization is conditioned upon the satisfactory date of completion of the FERC review process and upon Sabine Liquefaction commencing export operations within seven years of the issuance of the order.

Sabine Liquefaction has engaged Bechtel Corporation ("Bechtel") to complete front-end engineering and design work and will negotiate a lump-sum, turnkey contract based on an open book cost estimate. We currently estimate that total construction costs will be consistent with other recent liquefaction expansion projects constructed by Bechtel, or approximately \$4.5 billion to \$5.0 billion, before financing costs, for the first two LNG trains. We have additional work to complete with Bechtel to be able to make an estimate specific to our site and project. Our cost estimates are subject to change due to factors such as changes in design, increased component and material costs, escalation of labor costs, cost overruns and increased spending to maintain a construction schedule.

In December 2010, Sabine Liquefaction engaged SG Americas Securities, LLC, the U.S. broker-dealer subsidiary of Societe Generale Corporate & Investment Banking for general financial strategy and planning in connection with the development and financing of liquefaction facilities at the Sabine Pass LNG terminal.

We will contemplate making a final investment decision to commence construction of the liquefaction project upon, among other things, entering into acceptable commercial arrangements, receiving regulatory authorization to construct and operate the liquefaction assets and obtaining adequate financing.

### *Sources and Uses of Cash*

The following table summarizes the sources and uses of our cash and cash equivalents for the nine months ended September 30, 2011 and 2010 (in thousands). The table presents capital expenditures on a cash basis; therefore, these amounts differ from the amounts of capital expenditures, including accruals, that are referred to elsewhere in this report. Additional discussion of these items follows the table:

	Nine Months Ended	
	September 30,	
	2011	2010
<b>Sources of cash and cash equivalents</b>		
Operating cash flow	\$ 12,634	\$ 94,955
Proceeds from the sale of partnership units	70,360	—
Total sources of cash and cash equivalents	82,994	94,955
<b>Uses of cash and cash equivalents</b>		
Distributions to unitholders	(34,704)	(151,793)
LNG terminal construction-in-process, net	(6,419)	(3,636)
Other	(722)	(40)
Total uses of cash and cash equivalents	(41,845)	(155,469)
Net increase (decrease) in cash and cash equivalents	41,149	(60,514)
Cash and cash equivalents—beginning of period	53,349	117,542
Cash and cash equivalents—end of period	\$ 94,498	\$ 57,028

### *Operating Cash Flow*

Operating cash flow decreased \$82.3 million for the nine months ended September 30, 2011 compared to the same period in 2010. The decrease in operating cash flow primarily resulted from the classification of Sabine Pass LNG's investment in restricted cash and cash equivalents to fund an interest payment account as described in Investment in Restricted Cash and Cash Equivalents below.

### *Proceeds from the Sale of Partnership Units*

In January 2011, we initiated an at-the-market program to sell up to 1.0 million common units, the proceeds from which have primarily been used to fund development costs associated with our liquefaction project. In September 2011, we sold 3,000,000 common units in an underwritten public offering and 1,072,131 common units to Cheniere Common Units Holding at a price of \$15.25 per common unit. We received net proceeds of approximately \$70 million that we are using for general business purposes, including

development costs associated with our liquefaction project. For the nine months ended September 30, 2011, we had received net cash proceeds of \$70.4 million from the sale of partnership units.

### *Distributions to Unitholders*

During the nine months ended September 30, 2011 and 2010, we made \$34.7 million and \$151.8 million, respectively, of distributions to our common and subordinated unitholders and to our general partner. The decreased distributions to owners in the first nine months of 2011 compared to the same period in 2010 is a result of the TUA assignment from Cheniere Marketing to Cheniere Investments, effective July 1, 2010, that decreased our available cash in excess of the common unit and general partner distributions. As a result of Cheniere Marketing's assignment of its TUA to Cheniere Investments, we have not paid distributions on our subordinated units since the distribution made with respect to the quarter ended March 31, 2010.

### *Investment in Restricted Cash and Cash Equivalents*

Investment in restricted cash and cash equivalents primarily relates to the transfer of cash into accounts controlled by a collateral trustee for the payment of interest on the Senior Notes due within twelve months. Sabine Pass LNG's investment of \$41.2 million in restricted cash and cash equivalents is presented as an investing activity in the nine months ended September 30, 2011, but as an operating activity for the nine months ended September 30, 2010. Under the terms and conditions of the Senior Notes, 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. This difference in cash flow presentation will be eliminated in November 2011 upon the payment of interest on the Senior Notes. As a result, there will be no difference in the cash flow presentation of our investment in restricted cash and cash equivalents related to this activity between the year ended December 31, 2011 and the year ended December 31, 2010.

### *Cash Distributions to Unitholders*

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in our partnership agreement). Our available cash is our cash on hand at the end of a quarter less the amount of any reserves established by our general partner. All distributions paid to date have been made from operating surplus. The following provides a summary of distributions paid by us during the nine months ended September 30, 2011:

Date Paid	Period Covered by Distribution	Distribution Per Common Unit	Total Distribution (in thousands)		
			Common Units	Subordinated Units	General Partner Units
February 11, 2011	October 1 - December 31, 2010	\$ 0.425	\$ 11,229	—	\$ 229
May 13, 2011	January 1, 2011 - March 31, 2011	\$ 0.425	\$ 11,335	—	\$ 231
August 12, 2011	April 1, 2011 - June 30, 2011	\$ 0.425	\$ 11,446	—	\$ 234

Prior to the TUA assignment from Cheniere Marketing to Cheniere Investments, we had been using cash paid under the Cheniere Marketing TUA to make distributions to Cheniere on our subordinated units held by Cheniere. Subsequent to the assignment of the TUA, the subordinated units will receive distributions only to the extent we have available cash above the minimum quarterly distributions requirement for our common unitholders and general partner along with certain reserves. Such available cash could be generated through new business development or fees received from Cheniere Marketing under the VCRA. As a result of the TUA assignment, the ending of the subordination period and conversion of the subordinated units into common units will depend upon future business development and is no longer expected to occur as early as previously estimated.

On October 21, 2011, we declared a \$0.425 distribution per common unit and the related distribution to our general partner to be paid to owners of record on November 1, 2011 for the period from June 1, 2011 to September 30, 2011.

### *Debt Agreements*

#### *Senior Notes*

In November 2006, Sabine Pass LNG issued an aggregate principal amount of \$2,032.0 million of Senior Notes (the "Senior Notes"), consisting of \$550.0 million of 7¼% Senior Secured Notes due 2013 (the "2013 Notes") and \$1,482.0 million of 7½% Senior Secured Notes due 2016 (the "2016 Notes"). In September 2008, Sabine Pass LNG issued an additional \$183.5 million, before discount, of 2016 Notes whose terms were identical to the previously outstanding 2016 Notes. Interest on the Senior Notes is payable semi-annually



in arrears on May 30 and November 30 of each year. The 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 some or all of the 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 Senior Notes; or
- the excess of: a) the present value at such redemption date of (i) the redemption price of the Senior Notes plus (ii) all required interest payments due on the 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 Senior Notes, if greater.

Under the Sabine Pass Indenture, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied: 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 there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment of approximately \$82.4 million. 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 Indenture. During the nine months ended September 30, 2011 and 2010, Sabine Pass LNG made distributions to us of \$231.7 million and \$298.6 million, respectively, after satisfying all the applicable conditions in the Sabine Pass Indenture.

### *Services Agreements*

During the nine months ended September 30, 2011 and 2010, we paid an aggregate of \$14.2 million and \$11.3 million, respectively, under the following service agreements.

#### *Sabine Pass LNG O&M Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year operation and maintenance agreement with a wholly owned subsidiary of Cheniere pursuant to which we receive all necessary services required to construct, operate and maintain the Sabine Pass LNG receiving terminal. Sabine Pass LNG is required to pay a fixed monthly fee of \$130,000 (indexed for inflation) under the agreement, and the counterparty is entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and the counterparty at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse the counterparty for its operating expenses, which consist primarily of labor expenses.

#### *Sabine Pass LNG Management Services Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year management services agreement with its general partner, which is a wholly owned subsidiary of us, pursuant to which its general partner was appointed to manage the construction and operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the operation and maintenance agreement described in the paragraph above. In August 2008, the general partner of Sabine Pass LNG assigned all of its rights and obligations under the management services agreement to Cheniere LNG Terminals, Inc. ("Cheniere Terminals"), a wholly owned subsidiary of Cheniere. Sabine Pass LNG is required to pay Cheniere Terminals a monthly fixed fee of \$520,000 (indexed for inflation).

#### *Cheniere Partners Services Agreement*

In March 2007, we entered into a services agreement with Cheniere Terminals pursuant to which we would pay Cheniere Terminals an annual administrative fee of \$10.0 million (adjusted for inflation) for the provision of various general and administrative services for our benefit following the closing of our initial public offering. Payments under this services agreement commenced January 1, 2009. In addition, we reimburse Cheniere Terminals for its services in an amount equal to the sum of all out-of-pocket costs and expenses incurred by Cheniere Terminals that are directly related to our business or activities.

In June 2010, Cheniere Terminals and we amended, effective as of July 1, 2010, the fee structure for the various general and administrative services provided by Cheniere Terminals for our benefit and changed it from a fixed fee to a variable fee not to exceed \$2.5 million per quarter (indexed for inflation). The amended and restated services agreement provides that fees will be paid quarterly from our unrestricted cash and cash equivalents remaining after making distributions to the common unitholders and the general partner in respect of each quarter and retaining certain reserves. Our ability to pay management fees is dependent on Cheniere Terminals' ability to, among other things, manage our and Sabine Pass LNG's operating and administrative expenses, monetize the 2.0 Bcf/d regasification capacity held by Cheniere Investments and develop new projects through either internal development or acquisition to increase cash flow.

## Results of Operations

### *Three Months Ended September 30, 2011 vs. Three Months Ended September 30, 2010*

#### *Overall Operations*

Our net income decreased \$7.5 million, from net loss of \$7.0 million in the three months ended September 30, 2010 to net loss of \$14.5 million in the three months ended September 30, 2011. This decrease in net income primarily resulted from increased development expense.

#### *Development Expense (including Affiliate Expense)*

Development expense increased \$5.3 million, from \$4.6 million in the three months ended September 30, 2010 to \$9.9 million in the three months ended September 30, 2011. This increase resulted from costs incurred to develop the liquefaction project at the Sabine Pass LNG terminal.

### *Nine Months Ended September 30, 2011 vs. Nine Months Ended September 30, 2010*

#### *Overall Operations*

Our net income decreased \$133.8 million, from net income of \$110.2 million in the nine months ended September 30, 2010 to net loss of \$23.6 million in the nine months ended September 30, 2011. This decrease in net income primarily resulted from the June 2010 TUA assignment from Cheniere Marketing to Cheniere Investments. Beginning July 1, 2010, our affiliate revenues reflects only tug service revenue and the amount of income earned under the VCRA from Cheniere Marketing because the affiliate revenues earned by Sabine Pass LNG from Cheniere Investments' capacity payments under the TUA are eliminated upon consolidation of our financial statements. In addition, the decrease in net income in 2011 was a result of increases in development expenses related to our proposed liquefaction project. These decreases to net income were partially offset by decreased operating and maintenance expenses in 2011 as compared to 2010.

#### *Revenues (including Affiliate Revenues)*

Revenues decreased \$114.2 million, from \$327.2 million in the nine months ended September 30, 2010 to \$213.0 million in the nine months ended September 30, 2011. This decrease in revenues primarily resulted from the TUA assignment from Cheniere Marketing to Cheniere Investments, partially offset by revenues earned under the VCRA. Beginning July 1, 2010, our revenues—affiliate primarily reflects the amount of income earned under the VCRA.

#### *Development Expense (including Affiliate Expense)*

Development expense increased \$23.8 million, from \$5.7 million in the nine months ended September 30, 2010 to \$29.5 million in the nine months ended September 30, 2011. This increase resulted from costs incurred to develop the liquefaction project at the Sabine Pass LNG terminal.

#### *Operating and Maintenance Expense (including Affiliate Expense)*

Operating and maintenance expense decreased \$4.7 million, from \$29.3 million in the nine months ended September 30, 2010 to \$24.6 million in the nine months ended September 30, 2011. This decrease primarily resulted from decreased fuel costs in 2011 compared to 2010 as a result of efficiencies in our LNG inventory management.

## Off-Balance Sheet Arrangements

As of September 30, 2011, we had no "off-balance sheet arrangements" that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## **Summary of Critical Accounting Policies and Estimates**

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives but involve an implementation and interpretation of existing rules, and the use of judgment, to apply the accounting rules to the specific set of circumstances existing in our business. In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), we endeavor to comply with all applicable rules on or before their adoption, and we believe that the proper implementation and consistent application of the accounting rules are critical. However, not all situations are specifically addressed in the accounting literature. In these cases, we must use our best judgment to adopt a policy for accounting for these situations. We accomplish this by analogizing to similar situations and the accounting guidance governing them.

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

Generally, we begin capitalizing the costs of an LNG terminal once the individual project meets the following criteria: (i) regulatory approval has been received, (ii) financing for the project is available and (iii) management has committed to commence construction. Prior to meeting these criteria, most of the costs associated with a project are expensed as incurred. These costs primarily include professional fees associated with front-end engineering and design work, costs of securing necessary regulatory approvals, and other preliminary investigation and development activities related to our LNG terminals and related pipelines.

Generally, costs that are capitalized prior to a project meeting the criteria otherwise necessary for capitalization include: land and lease option costs that are capitalized as property, plant and equipment and certain permits that are capitalized as intangible LNG assets. The costs of lease options are amortized over the life of the lease once obtained. If no lease is obtained, the costs are expensed.

We capitalize interest and other related debt costs during the construction period of our LNG terminal. Upon commencement of operations, capitalized interest, as a component of the total cost, will be amortized over the estimated useful life of the asset.

### ***Revenue Recognition***

LNG regasification capacity reservation fees are recognized as revenue over the term of the respective TUAs. Advance capacity reservation fees are initially deferred and amortized over a 10-year period as a reduction of a customer's regasification capacity reservation fees payable under its TUA. The retained 2% of LNG delivered for each customer's account at the Sabine Pass LNG terminal is recognized as revenues as Sabine Pass LNG performs the services set forth in each customer's TUA.

### ***Use of Estimates***

The preparation of 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. Actual results could differ from our estimates and assumptions used.

Items subject to estimates and assumptions include, but are not limited to, the carrying amount of property, plant and equipment. Actual results could differ significantly from our estimates.

### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

In June 2011, the Financial Accounting Standards Board amended current comprehensive income guidance. The amended guidance eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, we must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. This guidance will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We expect to adopt this guidance in our first fiscal quarter ending March 31, 2012. The adoption of this guidance will not have an impact on our consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

### 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 certain derivative instruments to economically hedge the price risk attributable to future purchases of natural gas to be utilized as fuel to operate the Sabine Pass LNG terminal ("Fuel Derivatives") and to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory ("LNG Inventory Derivatives"). We use one-day value at risk ("VaR") with a 95% confidence interval and other methodologies for market risk measurement and control purposes. The VaR is calculated using the Monte Carlo simulation method. The table below provides information about our derivative financial instruments that are sensitive to changes in natural gas prices as of September 30, 2011 (in thousands except for volume and price range data).

Hedge Description	Hedge Instrument	Contract Volumes (MMBtu)	Price Range (per MMBtu)	Final Hedge Maturity Date	Fair Value	VaR
Fuel Derivatives	Fixed price natural gas swaps	1,065,000	\$4.352 - \$5.002	October 2012	\$ (777)	\$ 95
LNG Inventory Derivatives	Fixed price natural gas swaps	1,786,000	4.011 - 4.465	June 2012	476	2

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

In September of this year, we restated our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 to present net income (loss) per common unit in our consolidated statements of operations and the related disclosure. Based on their evaluation, management concluded that, due to the existence of a material weakness in internal control over financial reporting in connection with the presentation of earnings per common unit separately from the combined earnings per limited partner, the company's disclosure controls and procedures were not effective as of the end of the period covered by this report. For additional information regarding the restatements and the material weakness identified by management, see "Item 9A. Controls and Procedures" in Amendment No. 1 to our Annual Report on Form 10-K/A for the period ended December 31, 2011, and "Item 4. Disclosure Controls and Procedures" in Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the period ended March 31, 2011, both filed with the SEC on September 12, 2011.

The financial statements included in this Form 10-Q were prepared with particular attention to the material weakness. Accordingly, management believes that our Consolidated Financial Statements and the accompanying notes included in this Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented.

We continually review our disclosure controls and procedures and make changes, as necessary, to ensure the quality of our financial reporting. As detailed below, we have enhanced our controls in a manner that we believe will remediate the issue that arose with respect to the material weakness.

## **Changes in Internal Control Over Financial Reporting**

Management is committed to the remediation of the material weakness set forth above as well as the continued improvement of our overall system of internal control over financial reporting. Management implemented measures to remediate the material weakness in internal control over financial reporting described above. Specifically, we enhanced our quarterly process to highlight significant or unusual matters that may require additional accounting research. As part of our fiscal 2011 assessment of internal control over financial reporting, management will conduct sufficient testing and evaluation of the implemented controls to ascertain whether they are designed and operating effectively. Management believes the implemented controls will remediate the material weakness in 2011. We will continue to assess the effectiveness of our remediation efforts in connection with management's future evaluations of 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. In the opinion of management, as of September 30, 2011, there were no known threatened or pending legal matters that could reasonably be expected to have a material adverse impact on our consolidated results of operations, financial position or cash flows.

### Item 6. Exhibits

- 10.1 LNG Lease Agreement, dated September 30, 2011, by and between Cheniere Marketing, LLC and Cheniere Energy Investments, LLC. (Incorporated by reference to Exhibit 10.3 to Cheniere Energy, Inc.'s Quarterly Report on Form 10-Q (SEC File No. 001-16383), filed on November 7, 2011)
- 31.1\* Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
- 31.2\* Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
- 32.1\*\* Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*\* Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101+ The following materials from Cheniere Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Partners' and Owners' Capital (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as a block of text.

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\* Filed herewith.

\*\* Furnished herewith.

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## SIGNATURES

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

CHENIERE ENERGY PARTNERS, L.P.

By: Cheniere Energy Partners GP, LLC,  
its general partner

By:                                 /s/ Jerry D. Smith                                  
                                **Jerry D. Smith**  
                                **Chief Accounting Officer**  
                                **(on behalf of the registrant and as principal accounting**  
                                **officer)**

Date: November 7, 2011



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

I, Charif Souki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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.

/s/ Charif Souki

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

Date: November 7, 2011

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

I, Meg A. Gentle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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.

/s/ Meg A. Gentle

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

Date: November 7, 2011

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

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charif Souki, Chief Executive Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

/s/ Charif Souki

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

Date: November 7, 2011

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

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Meg A. Gentle, Chief Financial Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

/s/ Meg A. Gentle

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

Date: November 7, 2011

**Consolidated Balance Sheets  
Parenthetical**

**Sep. 30, 2011 Dec. 31, 2010**

<u>Common unitholders, units issued</u>	31,003,154	26,416,357
<u>Common unitholders, units outstanding</u>	31,003,154	26,416,357
<u>Subordinated unitholders, units issued</u>	135,383,831	135,383,831
<u>Subordinated unitholders, units outstanding</u>	135,383,831	135,383,831
<u>General Partner 2% interest</u>	2.00%	2.00%
<u>General Partner 2% interest, units issued</u>	3,395,653	3,302,045
<u>General Partner 2% interest, units outstanding</u>	3,395,653	3,302,045

<b>Consolidated Statements of Operations (USD \$) In Thousands, except Per Share data</b>	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>Sep. 30, 2011</b>	<b>Sep. 30, 2010</b>	<b>Sep. 30, 2011</b>	<b>Sep. 30, 2010</b>
<b><u>Revenues</u></b>				
<u>Revenues</u>	\$ 63,669	\$ 65,945	\$ 200,514	\$ 198,776
<u>Revenues—affiliate</u>	1,238	672	12,452	128,382
<u>Total revenues</u>	64,907	66,617	212,966	327,158
<b><u>Expenses</u></b>				
<u>Operating and maintenance expense</u>	6,288	5,865	15,878	20,107
<u>Operating and maintenance expense—affiliate</u>	2,612	3,017	8,723	9,167
<u>Depreciation expense</u>	10,766	10,538	32,245	31,661
<u>Development expense</u>	8,971	4,012	26,751	4,625
<u>Development expense—affiliate</u>	923	615	2,746	1,100
<u>General and administrative expense</u>	867	1,245	4,068	5,044
<u>General and administrative expense—affiliate</u>	4,957	4,951	14,973	15,366
<u>Total expenses</u>	35,384	30,243	105,384	87,070
<u>Income from operations</u>	29,523	36,374	107,582	240,088
<b><u>Other income (expense)</u></b>				
<u>Interest expense, net</u>	(43,319)	(43,451)	(130,115)	(130,576)
<u>Derivative gain (loss), net</u>	(716)	0	(1,164)	461
<u>Other</u>	33	100	140	246
<u>Total other expense</u>	(44,002)	(43,351)	(131,139)	(129,869)
<u>Net income (loss)</u>	\$ (14,479)	\$ (6,977)	\$ (23,557)	\$ 110,219
<u>Basic and Diluted Net Income Per Common Unit</u>	\$ 0.29	\$ 0.31	\$ 0.93	\$ 1.28
<u>Weighted Average Number of Common Units Basic and Diluted</u>	27,408	26,416	26,867	26,416

**Document and Entity  
Information**

**9 Months Ended  
Sep. 30, 2011**

**Oct. 25, 2011**

**Entity Information [Line Items]**

<u>Entity Registrant Name</u>	Cheniere Energy Partners, L.P.	
<u>Entity Central Index Key</u>	0001383650	
<u>Current Fiscal Year End Date</u>	--12-31	
<u>Entity Filer Category</u>	Accelerated Filer	
<u>Document Type</u>	10-Q	
<u>Document Period End Date</u>	Sep. 30, 2011	
<u>Document Fiscal Year Focus</u>	2011	
<u>Document Fiscal Period Focus</u>	Q3	
<u>Amendment Flag</u>	false	
<u>Entity Common Stock, Shares Outstanding</u>		31,003,154
<u>Entity Well-known Seasoned Issuer</u>	No	
<u>Entity Voluntary Filers</u>	No	
<u>Entity Current Reporting Status</u>	Yes	

## NOTE 6—Long-Term Debt

9 Months Ended  
Sep. 30, 2011

[Long-term Debt,  
Unclassified \[Abstract\]](#)

[Long-term Debt \[Text Block\]](#) **Long-Term Debt**

As of September 30, 2011 and December 31, 2010, our long-term debt consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Senior Notes, net of discount	\$2,191,244	\$2,187,724

In November 2006, Sabine Pass LNG issued an aggregate principal amount of \$2,032.0 million of Senior Notes (the "Senior Notes"), consisting of \$550.0 million of 7¼% Senior Secured Notes due 2013 (the "2013 Notes") and \$1,482.0 million of 7½% Senior Secured Notes due 2016 (the "2016 Notes"). In September 2008, Sabine Pass LNG issued an additional \$183.5 million, before discount, of 2016 Notes whose terms were identical to the previously outstanding 2016 Notes. Interest on the Senior Notes is payable semi-annually in arrears on May 30 and November 30 of each year. The 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 some or all of the 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 Senior Notes; or
- the excess of: a) the present value at such redemption date of (i) the redemption price of the Senior Notes plus (ii) all required interest payments due on the 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 Senior Notes, if greater.

Under the Sabine Pass Indenture, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied: 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 there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment of approximately \$82.4 million. 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 Indenture. During the nine months ended September 30, 2011 and 2010, Sabine Pass LNG made distributions to us of \$231.7 million and \$298.6 million, respectively, after satisfying all the applicable conditions in the Sabine Pass Indenture.



**NOTE 11—Supplemental  
Cash Flow Information and  
Disclosure about Non Cash  
Transactions**

**9 Months Ended**

**Sep. 30, 2011**

**[Supplemental Cash Flow Information and Disclosures of  
Non Cash Transactions \[Abstract\]](#)**

[Cash Flow, Supplemental Disclosures \[Text Block\]](#)

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

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

	Nine Months Ended	
	September 30,	
	2011	2010
Cash paid for interest, net of amounts capitalized	\$82,120	\$82,340

**NOTE 2—Recent  
Accounting Policies Level 1  
(Notes)**

**9 Months Ended  
Sep. 30, 2011**

**[Recent Accounting Policies](#)**

**[\[Abstract\]](#)**

**[Description of New](#)**

**[Accounting Pronouncements](#)**

**[Not yet Adopted \[Text Block\]](#)**

**Recent Accounting Policies**

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In June 2011, the Financial Accounting Standards Board amended current comprehensive income guidance. The amended guidance eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, we must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. This guidance will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We expect to adopt this guidance in our first fiscal quarter ending March 31, 2012. The adoption of this guidance will not have an impact on our consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

**NOTE 8—Financial  
Instruments**

**9 Months Ended  
Sep. 30, 2011**

**Financial Instruments**

**[Abstract]**

**Derivative Instruments and  
Hedging Activities Disclosure**

**[Text Block]**

**Financial Instruments**

**Derivative Instruments**

We have entered into certain derivative instruments to hedge the price risk attributable to future purchases of natural gas to be utilized as fuel to operate our LNG terminal ("Fuel Derivatives") and to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory ("LNG Inventory Derivatives"). Changes in the fair value of our derivatives instruments are reported in earnings because we have not elected to designate these derivative instruments as a hedging instrument that is required to qualify for cash flow hedge accounting. The estimated fair value of financial instruments is the amount at which the instrument could be exchanged currently between willing parties.

The fair value of our derivative instruments are based on inputs that are quoted prices in active markets for similar assets or liabilities, resulting in Level 2 categorization of such measurements. The following table (in thousands) sets forth, by level within the fair value hierarchy, the fair value of our derivative instruments assets and liabilities at September 30, 2011:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
LNG Inventory Derivatives asset (1)	\$ —	\$ 476	\$ —	\$ 476
Fuel Derivatives liability (2)	\$ —	\$ 777	\$ —	\$ 777

- (1) LNG Inventory Derivatives asset is classified as other current assets on our Consolidated Balance Sheets. Changes in the fair value of LNG Inventory Derivatives are classified as revenues on our Consolidated Statements of Operations. We recorded revenues of \$0.5 million related to LNG Inventory Derivatives in each of the three and nine months ended September 30, 2011.
- (2) Fuel Derivatives liability is classified as other current liabilities on our Consolidated Balance Sheets. Changes in the fair value of our Fuel Derivatives are classified as derivative gain (loss) on our Consolidated Statements of Operations. We recorded derivative loss of \$0.7 million and \$1.2 million related to Fuel Derivatives in the three and nine months ended September 30, 2011, respectively. We recorded derivative gain of zero and \$0.5 million in the three and nine months ended September 30, 2010, respectively.

**Other Financial Instruments**

The estimated fair value of financial instruments, including those financial instruments for which the fair value option was not elected are set forth in the table below. The carrying amounts reported on our Consolidated Balance Sheets for restricted cash and cash equivalents, accounts receivable, interest receivables and accounts payable approximate fair value due to their short-term nature.

Financial Instruments (in thousands):

September 30, 2011	December 31, 2010
--------------------	-------------------

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
2013 Notes (1)	\$ 550,000	\$ 534,875	\$ 550,000	\$ 541,750
2016 Notes, net of discount (1)	1,641,244	1,530,460	1,637,724	1,523,083

- (1) The fair value of the Senior Notes, net of discount, was based on quotations obtained from broker-dealers who make markets in these and similar instruments.

## NOTE 9—Related Party Transactions

9 Months Ended  
Sep. 30, 2011

[Related Party Transactions \[Abstract\]](#)

[Related Party Transactions Disclosure \[Text Block\]](#)

### Related Party Transactions

As of September 30, 2011 and December 31, 2010, we had \$0.4 million and \$3.5 million of advances to affiliates, respectively. In addition, we have entered into the following related party transactions:

#### LNG Terminal Capacity Agreements

##### *Terminal Use Agreement*

In November 2006, Cheniere Marketing, LLC ("Cheniere Marketing") reserved approximately 2.0 Bcf/d of regasification capacity under a firm commitment terminal use agreement ("TUA") with Sabine Pass LNG and was required to make capacity reservation fee payments aggregating approximately \$250 million per year for the period from January 1, 2009, through at least September 30, 2028. Cheniere Energy, Inc. ("Cheniere") guaranteed Cheniere Marketing's obligations under its TUA.

Effective July 1, 2010, Cheniere Marketing assigned its existing TUA with Sabine Pass LNG to Cheniere Energy Investments, LLC ("Cheniere Investments"), our wholly owned subsidiary, including all of its rights, titles, interests, obligations and liabilities in and under the TUA. In connection with the assignment, Cheniere's guarantee of Cheniere Marketing's obligations under the TUA was terminated. Cheniere Investments is required to make capacity payments under the TUA aggregating approximately \$250 million per year through at least September 30, 2028; however, the revenue earned from Cheniere Investments' capacity payments is eliminated upon consolidation of our financial statements. We have guaranteed Cheniere Investments' obligations under its TUA.

##### *Variable Capacity Rights Agreement*

Concurrently with the TUA assignment, Cheniere Investments entered into a Variable Capacity Rights Agreement ("VCRA") with Cheniere Marketing in order for Cheniere Investments to monetize its capacity at the Sabine Pass LNG terminal. The VCRA will continue until the earliest of (a) the termination of Cheniere Investments' TUA, (b) expiration of the initial term of the TUA, (c) the termination of the VCRA by either party after two years, and (d) the termination of the VCRA as a result of default. Prior to 2018, Cheniere Marketing's termination right is subject to our having specified levels of cash reserved for distribution to our common unitholders as of the applicable termination date. Under the terms of the VCRA, Cheniere Marketing will be responsible for monetizing the capacity at the Sabine Pass LNG terminal and will have the right to utilize all of the services and other rights at the Sabine Pass LNG terminal available under the TUA assigned to Cheniere Investments. In consideration of these rights, Cheniere Marketing is obligated to pay Cheniere Investments 80% of the expected gross margin of each cargo of LNG delivered to the Sabine Pass LNG terminal. To the extent payments from Cheniere Marketing to Cheniere Investments under the VCRA increase our available cash in excess of the common unit and general partner distributions and certain reserves, the cash would be distributed to Cheniere Subsidiary Holdings, LLC in the form of distributions on its subordinated units. During the term of the VCRA, Cheniere Marketing is responsible for the payment of taxes and new regulatory costs under the TUA. Cheniere has guaranteed all of Cheniere Marketing's payment obligations under the VCRA. We recorded \$0.7 million and \$9.8 million of revenues—affiliate from Cheniere Marketing in the three and nine months ended September 30, 2011, respectively, related to the VCRA.

#### LNG Lease Agreement

In September 2011, Cheniere Investments entered into an agreement in the form of a lease (the "LNG Lease Agreement") with Cheniere Marketing that will enable Cheniere Investments to supply the Sabine Pass LNG terminal with LNG to maintain proper LNG inventory levels and temperature. The LNG Lease Agreement also enables Cheniere Investments to hedge the exposure to variability in expected future cash flows of its LNG inventory. Under the terms of the LNG Lease Agreement, Cheniere Marketing will fund all activities related to the purchase and hedging of the LNG, and Cheniere Investments will reimburse Cheniere Marketing for all costs and assume full price risk associated with these activities.

As a result of Cheniere Investments assuming full price risk associated with the LNG Lease Agreement, LNG inventory purchased by Cheniere Marketing under this arrangement is classified as LNG inventory—affiliate on our Consolidated Balance Sheets, and is recorded at cost and subject to lower of cost or market adjustments at the end of each period. LNG inventory—affiliate cost is determined using the average cost method. Recoveries of losses resulting from interim period lower of cost or market adjustments are made due to market price recoveries on the same LNG inventory—affiliate in the same fiscal year and are recognized as gains in later interim periods with such gains not exceeding previously recognized losses. Gains or losses on the sale of LNG inventory—affiliate and lower of cost or market adjustments are recorded as revenues on our Consolidated Statements of Operations. At September 30, 2011, we had \$3.2 million in LNG inventory—affiliate on our Consolidated Balance Sheets. During the three months ended September 30, 2011, we recorded revenues of (\$5.2) million related to lower of cost or market adjustments and sales of LNG inventory—affiliate.

Cheniere Marketing has entered into financial derivatives to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory under the LNG Lease Agreement. The fair value of these derivative instruments are classified as other current assets on our Consolidated Balance Sheets. Changes in the fair value of these derivative instruments are classified as revenues on our Consolidated Statements of Operations. We recorded derivative revenues of \$0.5 million related to LNG inventory derivatives in each of the three and nine months ended September 30, 2011.

### **Service Agreements**

During the three months ended September 30, 2011 and 2010, we paid an aggregate of \$4.8 million and \$2.0 million, respectively, under the following service agreements. During the nine months ended September 30, 2011 and 2010, we paid an aggregate of \$14.2 million and \$11.3 million, respectively, under the following service agreements.

#### *Sabine Pass LNG O&M Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year operation and maintenance agreement (the "O&M Agreement") with a wholly owned subsidiary of Cheniere pursuant to which we receive all necessary services required to construct, operate and maintain the Sabine Pass LNG receiving terminal. Sabine Pass LNG is required to pay a fixed monthly fee of \$130,000 (indexed for inflation) under the agreement, and the counterparty is entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and the counterparty at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse the counterparty for its operating expenses, which consist primarily of labor expenses.

#### *Sabine Pass LNG Management Services Agreement*

In February 2005, Sabine Pass LNG entered into a 20-year management services agreement ("MSA") with its general partner, which is our wholly owned subsidiary, pursuant to which its general partner was appointed to manage the construction and operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the O&M Agreement. In August 2008, the general partner of Sabine Pass LNG assigned all of its rights and obligations under the MSA to Cheniere LNG Terminals, Inc. ("Cheniere Terminals"), a wholly owned subsidiary of

Cheniere. Sabine Pass LNG is required to pay Cheniere Terminals a monthly fixed fee of \$520,000 (indexed for inflation).

#### *Cheniere Partners Services Agreement*

In March 2007, we entered into a services agreement with Cheniere Terminals pursuant to which we would pay Cheniere Terminals an annual administrative fee of \$10.0 million (adjusted for inflation) for the provision of various general and administrative services for our benefit following the closing of our initial public offering. Payments under this services agreement commenced January 1, 2009. In addition, we reimburse Cheniere Terminals for its services in an amount equal to the sum of all out-of-pocket costs and expenses incurred by Cheniere Terminals directly related to our business or activities.

In June 2010, Cheniere Terminals and we amended, effective as of July 1, 2010, the fee structure for the various general and administrative services provided by Cheniere Terminals for our benefit and changed it from a fixed fee to a variable fee not to exceed \$2.5 million per quarter (indexed for inflation). The amended and restated services agreement provides that fees will be paid quarterly from our unrestricted cash and cash equivalents remaining after making distributions to the common unitholders and the general partner in respect of each quarter and retaining certain reserves. Our ability to pay management fees is dependent on Cheniere Terminals' ability to, among other things, manage our and Sabine Pass LNG's operating and administrative expenses, monetize the 2.0 Bcf/d regasification capacity held by Cheniere Investments and develop new projects through either internal development or acquisition to increase cash flow.

#### **Agreement to Fund Sabine Pass LNG's Cooperative Endeavor Agreements**

In July 2007, Sabine Pass LNG executed Cooperative Endeavor Agreements ("CEAs") with various Cameron Parish, Louisiana taxing authorities that allow them to collect certain annual property tax payments from Sabine Pass LNG in 2007 through 2016. This ten-year initiative represents an aggregate \$25.0 million commitment and will make resources available to the Cameron Parish taxing authorities on an accelerated basis in order to aid in their reconstruction efforts following Hurricane Rita. In exchange for Sabine Pass LNG's payments of annual ad valorem taxes, Cameron Parish will grant Sabine Pass LNG a dollar for dollar credit against future ad valorem taxes to be levied against the Sabine Pass LNG terminal starting in 2019. In September 2007, Sabine Pass LNG modified its TUA with Cheniere Marketing, pursuant to which Cheniere Marketing will pay Sabine Pass LNG additional TUA revenues equal to any and all amounts payable under the CEAs in exchange for a similar amount of credits against future TUA payments it would owe Sabine Pass LNG under its TUA starting in 2019. In June 2010, Cheniere Marketing assigned its existing TUA to Cheniere Investments and concurrently entered into the VCRA, allowing Cheniere Marketing to monetize Cheniere Investments' capacity under the TUA after the assignment. The VCRA provides that Cheniere Marketing will continue to fund the CEAs during the term of the VCRA and, in exchange, Cheniere Marketing will receive any future credits.

On a consolidated basis, these TUA payments were recorded to other assets, and payments from Cheniere Marketing that Sabine Pass LNG utilized to make the ad valorem tax payments were recorded as deferred revenue. As of September 30, 2011 and December 31, 2010, we had \$12.3 million and \$9.8 million of other assets and deferred revenue resulting from Sabine Pass LNG's ad valorem tax payments and the advance TUA payments received from Cheniere Marketing, respectively.

#### **Contracts for Sale and Purchase of Natural Gas and Sale of LNG**

Sabine Pass LNG is able to sell or purchase natural gas or LNG under an agreement with Cheniere Marketing. Under this agreement, Sabine Pass LNG purchases natural gas or LNG from Cheniere Marketing at a sales price equal to the actual purchase cost paid by Cheniere Marketing to suppliers of the natural gas or LNG, plus any third-party costs incurred by Cheniere Marketing in respect of the receipt, purchase, and delivery of the natural gas or LNG to the Sabine Pass LNG terminal.

Sabine Pass LNG purchased \$1.1 million and \$1.2 million of natural gas and LNG from Cheniere Marketing under this agreement in the three months ended September 30, 2011 and 2010, respectively. Sabine Pass LNG purchased \$3.2 million and \$1.8 million of natural gas and LNG from Cheniere Marketing under this agreement in the nine months ended September 30, 2011 and 2010, respectively.

### **LNG Terminal Export Agreement**

In January 2010, Sabine Pass LNG and Cheniere Marketing entered into an LNG Terminal Export Agreement that provides Cheniere Marketing the ability to export LNG from the Sabine Pass LNG terminal. Sabine Pass LNG recorded zero revenues—affiliate pursuant to this agreement in each of the three months ended September 30, 2011 and 2010. Sabine Pass LNG recorded revenues—affiliate of \$0.3 million and \$0.9 million pursuant to this agreement in the nine months ended September 30, 2011 and 2010, respectively.

### **Tug Boat Lease Sharing Agreement**

In connection with its tug boat lease, Sabine Pass Tug Services, LLC, a wholly owned subsidiary of Sabine Pass LNG ("Tug Services"), entered into a tug sharing agreement with Cheniere Marketing to provide its LNG cargo vessels with tug boat and marine services at the Sabine Pass LNG terminal. Tug Services recorded revenues—affiliate from Cheniere Marketing of \$0.7 million pursuant to this agreement in the three months ended September 30, 2011 and 2010. Tug Services recorded revenues—affiliate from Cheniere Marketing of \$2.0 million pursuant to this agreement in each of the nine months ended September 30, 2011 and 2010.



**NOTE 7—Description of  
Equity Interests**

**9 Months Ended  
Sep. 30, 2011**

[Description of Equity  
Interests \[Abstract\]](#)  
[Partners' Capital Notes  
Disclosure \[Text Block\]](#)

**Description of Equity Interests**

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

The common units have the right to receive minimum quarterly distributions of \$0.425, plus any arrearages thereon, before any distribution is made to the holders of the subordinated units. Subordinated units will convert into common units on a one-for-one basis when we meet financial tests specified in the partnership agreement. Although common and subordinated unitholders are not obligated to fund losses of the partnership, their capital accounts, which would be considered in allocating the net assets of the partnership were it to be liquidated, continue to share in losses.

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

In January 2011, we initiated an at-the-market program to sell up to 1.0 million common units from which the proceeds are used primarily to fund development costs associated with our liquefaction project. As of September 30, 2011, we had sold 0.5 million common units with net proceeds of \$9.0 million. In addition, we received \$1.5 million in net proceeds from our general partner in connection with the exercise of its right to maintain its 2% ownership interest in us. During the nine months ended September 30, 2011, we paid \$0.3 million in commissions to Miller Tabak + Co., Inc., as sales agent, in connection with the at-the-market program.

In September 2011, we sold 3.0 million common units in an underwritten public offering and 1.1 million common units to Cheniere Common Units Holding, LLC ("Cheniere Common Units Holding") at a price of \$15.25 per common unit. We received net proceeds of approximately \$70 million that we are using for general business purposes, including development costs associated with our liquefaction project.

**Consolidated Statements of  
Cash Flows (USD \$)  
In Thousands**

**9 Months Ended  
Sep. 30,      Sep. 30,  
2011              2010**

**Cash flows from operating activities**

Net income (loss) \$ (23,557)    \$ 110,219

**Adjustments to reconcile net income (loss) to net cash provided by operating activities:**

Depreciation 32,245      31,661  
Non-cash derivative loss 301          124  
Amortization of debt issuance costs 3,278      3,759  
Amortization of debt discount 3,520      3,521  
Investment in restricted cash and cash equivalents (41,197)    (41,197)

**Changes in operating assets and liabilities:**

Accounts and interest receivable (85)          369  
Accounts receivable—affiliate (185)        3,586  
Accounts payable and accrued liabilities 40,416      43,663  
Accounts payable and accrued liabilities—affiliate 3,762      1,548  
Advances to affiliate 3,135      2,900  
Deferred revenue (3,135)     (3,116)  
Deferred revenue—affiliate 0            (62,833)  
LNG inventory—affiliate (3,230)      0  
Other (2,634)      751  
Net cash provided by operating activities 12,634      94,955

**Cash flows from investing activities**

LNG terminal construction-in-process, net (6,419)     (3,636)  
Advances under long-term contracts (722)        (36)  
Net cash used in investing activities (7,141)     (3,672)

**Cash flows from financing activities**

Distributions to unitholders (34,704)    (151,793)  
Proceeds from sale of common units 70,360      0  
Other 0            (4)  
Net cash used in financing activities 35,656     (151,797)  
Net increase (decrease) in cash and cash equivalents 41,149     (60,514)  
Cash and cash equivalents—beginning of period 53,349     117,542  
Cash and cash equivalents—end of period \$ 94,498    \$ 57,028

**NOTE 3—Restricted Cash  
and Cash Equivalents**

**9 Months Ended  
Sep. 30, 2011**

[Restricted Cash and Cash  
Equivalents \[Abstract\]](#)

[Restricted Cash and Cash  
Equivalents \[Text Block\]](#)

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of cash and cash equivalents that are contractually restricted as to usage or withdrawal, as follows:

Sabine Pass LNG, L.P. ("Sabine Pass LNG") has consummated private offerings of an aggregate principal amount of \$2,215.5 million of Senior Notes (see [Note 6—"Long-Term Debt"](#)). Under the indenture governing the Senior Notes (the "Sabine Pass Indenture"), except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied, including that 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, there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment of \$82.4 million and a fixed charge coverage ratio test of 2:1 must be satisfied.

As of September 30, 2011 and December 31, 2010, we classified the permanent debt service reserve fund of \$82.4 million as non-current restricted cash and cash equivalents. As of September 30, 2011 and December 31, 2010, we classified \$54.9 million and \$13.7 million, respectively, as current restricted cash and cash equivalents for the payment of interest due within twelve months. These cash accounts are controlled by a collateral trustee, and, therefore, are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets.

**NOTE 4—Property, Plant  
and Equipment**

**9 Months Ended  
Sep. 30, 2011**

[Property, Plant and  
Equipment \[Abstract\]](#)

[Property, Plant and Equipment  
Disclosure \[Text Block\]](#)

**Property, Plant and Equipment**

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

	September 30, 2011	December 31, 2010
<b>LNG terminal costs</b>		
LNG terminal	\$ 1,637,128	\$ 1,629,427
LNG terminal construction-in-process	486	2,160
LNG site and related costs, net	165	170
Accumulated depreciation	(113,786)	(81,781)
Total LNG terminal costs, net	1,523,993	1,549,976
<b>Fixed assets</b>		
Computers and office equipment	227	227
Vehicles	416	384
Machinery and equipment	974	964
Other	630	550
Accumulated depreciation	(1,900)	(1,636)
Total fixed assets, net	347	489
<b>Property, plant and equipment, net</b>	<b>\$ 1,524,340</b>	<b>\$ 1,550,465</b>

We began depreciating equipment and facilities associated with the initial 2.6 Bcf/d of sendout capacity and 10.1 Bcf of storage capacity of the Sabine Pass LNG terminal when they were ready for use in the third quarter of 2008. We began depreciating equipment and facilities associated with the remaining 1.4 Bcf/d of sendout capacity and 6.8 Bcf of storage capacity of the Sabine Pass LNG terminal when they were ready for use in the third quarter of 2009. Depreciation expense related to the Sabine Pass LNG terminal totaled \$32.0 million and \$31.3 million for the nine months ended September 30, 2011 and 2010, respectively.

**NOTE 5—Accrued  
Liabilities**

**9 Months Ended  
Sep. 30, 2011**

[Accrued Liabilities](#)

[\[Abstract\]](#)

[Accrued Liabilities \[Text  
Block\]](#)

**Accrued Liabilities**

As of September 30, 2011 and December 31, 2010, accrued liabilities consisted of the following (in thousands):

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Interest expense and related debt fees	\$ 54,929	\$ 13,732
Affiliate	5,902	5,949
LNG liquefaction development costs	1,358	1,402
LNG terminal costs	948	1,953
Other	847	761
Total accrued liabilities	<u>\$ 63,984</u>	<u>\$ 23,797</u>

**Consolidated Statements of  
Partners' and Owners'  
Capital (Deficit) (USD \$)  
In Thousands**

	<b>Total</b>	<b>common units [Member]</b>	<b>Subordinated Units [Member]</b>	<b>General Partner [Member]</b>
<u>Partners' Capital Beginning of Period at Dec. 31, 2010</u>	\$ (536,008)	\$ (69,191)	\$ (453,896)	\$ (12,921)
<u>Subordinated unitholders (135,383,831 units issued and outstanding at September 30, 2011 and December 31, 2010)</u>	(473,134)		(473,134)	
<u>General partner interest (2% interest with 3,395,653 units and 3,302,045 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)</u>	(12,630)			(12,630)
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>				
<u>Net Income (Loss) Attributable to Parent</u>	(23,557)	(3,848)	(19,238)	(471)
<u>Partners' Capital Account, Sale of Units</u>	70,137	68,681	0	1,456
<u>Partners' Capital Account, Distributions</u>	(34,704)	(34,010)	0	(694)
<u>Common unitholders (31,003,154 units and 26,416,357 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)</u>	(38,368)	(38,368)		
<u>Partners' Capital End of Period at Sep. 30, 2011</u>	\$ (524,132)			

**NOTE 1—Basis of  
Presentation**

**9 Months Ended  
Sep. 30, 2011**

**[Basis of Presentation](#)**

**[\[Abstract\]](#)**

**[Basis of Presentation and  
Significant Accounting  
Policies \[Text Block\]](#)**

**Basis of Presentation**

The accompanying unaudited Consolidated Financial Statements of Cheniere Energy Partners, L.P. have been prepared in accordance with generally accepted accounting principles in the United States ("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. As used in these Notes to Consolidated Financial Statements, the terms "Cheniere Partners", "we", "us" and "our" refer to Cheniere Energy Partners, L.P. and its wholly owned subsidiaries, unless otherwise stated or indicated by context.

Results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2011.

We are not subject to either federal or state income tax, as the partners are taxed individually on their proportionate share of our earnings.

Certain reclassifications have been made to prior period information to conform to the current presentation. The reclassifications had no effect on our overall consolidated financial position, results of operations or cash flows.

For further information, refer to the consolidated financial statements and accompanying notes included in Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2010.

**NOTE 10—Cash  
Distributions and Net  
Income (Loss) per Unit**  
[Net Income \(Loss\) per Unit  
\[Abstract\]](#)  
[Earnings Per Share \[Text  
Block\]](#)

**9 Months Ended  
Sep. 30, 2011**

**Cash Distributions and Net Income (Loss) per Common Unit**

**Cash Distributions**

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in our partnership agreement). Generally, our available cash is our cash on hand at the end of a quarter less the amount of any reserves established by our general partner. All distributions paid to date have been made from operating surplus as defined in the partnership agreement. The following provides a summary of distributions paid by us during the nine months ended September 30, 2011 (in thousands, except per unit data):

Date Paid	Period Covered by Distribution	Distribution Per Common Unit	Total Distribution		
			Common Units	Subordinated Units	General Partner Units
February 11, 2011	October 1 - December 31, 2010	\$ 0.425	\$ 11,229	\$ —	\$ 229
May 13, 2011	January 1, 2011 - March 31, 2011	\$ 0.425	\$ 11,335	\$ —	\$ 231
August 12, 2011	April 1, 2011 - June 30, 2011	\$ 0.425	\$ 11,446	\$ —	\$ 234

The subordinated units will receive distributions only to the extent we have available cash above the minimum quarterly distribution requirement for our common unitholders and general partner and certain reserves. As a result of the assignment of Cheniere Marketing's TUA to Cheniere Investments, effective July 1, 2010, our available cash for distributions was reduced. Therefore, we have not paid distributions on our subordinated units since the distribution made with respect to the quarter ended March 31, 2010.

**Net Income (Loss) per Common Unit**

Net income (loss) per common unit for a given period is based on the distributions that will be made to the unitholders with respect to the period plus an allocation of undistributed net income (loss) based on provisions of the partnership agreement, divided by the weighted average number of common units outstanding. The two class method dictates that net income (loss) for a period be reduced by the amount of available cash that will be distributed with respect to that period and that any residual amount representing undistributed net income be allocated to common unitholders and other participating unitholders to the extent that each unit may share in net income as if all of the net income for the period had been distributed in accordance with the partnership agreement. Undistributed income is allocated to participating securities based on the distribution waterfall for available cash specified in the partnership agreement. Undistributed losses (including those resulting from distributions in excess of net income) are allocated to common units and other participating securities on a pro rata basis based on provisions of the partnership agreement. Distributions are treated as distributed earnings in the computation of earnings per common unit even though cash distributions are not necessarily derived from current or prior period earnings.

Under our partnership agreement, the incentive distribution rights ("IDRs") participate in net income (loss) only to the extent of the amount of cash distributions actually declared, thereby excluding the IDRs from participating in undistributed net income (loss). We did not allocate earnings or losses to IDR holders for the purpose of the two class method earnings per unit calculation for any of the periods presented.

The following table provides a reconciliation of net income (loss) and the allocation of net income (loss) to the common units and the subordinated units for purposes of computing net income (loss) per unit (in thousands, except per unit data):

	Total	Limited Partner Units		General Partner
		Common Units	Subordinated Units	
<b>Three Months Ended September 30, 2011</b>				
Net loss	\$ (14,479)			
Declared distributions	13,445	13,176	—	269
Assumed allocation of undistributed net loss	(27,924)	(5,099)	(22,267)	(558)
Assumed allocation of net income (loss)		\$ 8,077	\$ (22,267)	\$ (289)
Weighted average units outstanding		27,408	135,384	
Net income (loss) per unit		\$ 0.29	\$ (0.16)	

**Three Months Ended September 30, 2010**



Net loss	\$ (6,977)			
Declared distributions	11,456	11,227	—	229
Assumed allocation of undistributed net loss	<u>(18,433)</u>	<u>(2,949)</u>	<u>(15,115)</u>	<u>(369)</u>
Assumed allocation of net income (loss)		<u>\$ 8,278</u>	<u>\$ (15,115)</u>	<u>\$ (140)</u>
Weighted average units outstanding		26,416	135,384	
Net income (loss) per unit		<u>\$ 0.31</u>	<u>\$ (0.11)</u>	

#### Nine Months Ended September 30, 2011

Net loss	\$ (23,557)			
Declared distributions	36,691	35,957	—	734
Assumed allocation of undistributed net loss	<u>(60,248)</u>	<u>(11,002)</u>	<u>(48,041)</u>	<u>(1,205)</u>
Assumed allocation of net income (loss)		<u>\$ 24,955</u>	<u>\$ (48,041)</u>	<u>\$ (471)</u>
Weighted average units outstanding		26,867	135,384	
Net income (loss) per unit		<u>\$ 0.93</u>	<u>\$ (0.35)</u>	

#### Nine Months Ended September 30, 2010

Net income	\$ 110,219			
Declared distributions	93,080	33,681	57,538	1,861
Assumed allocation of undistributed net income	<u>17,139</u>	<u>—</u>	<u>16,796</u>	<u>343</u>
Assumed allocation of net income		<u>\$ 33,681</u>	<u>\$ 74,334</u>	<u>\$ 2,204</u>
Weighted average units outstanding		26,416	135,384	
Net income per unit		<u>\$ 1.28</u>	<u>\$ 0.55</u>	

**Consolidated Balance Sheets**  
**(USD \$)**  
**In Thousands**

**Sep. 30, 2011**    **Dec. 31, 2010**

**Current assets**

<u>Cash and cash equivalents</u>	\$ 94,498	\$ 53,349
<u>Restricted cash and cash equivalents</u>	54,929	13,732
<u>Accounts and interest receivable</u>	1,463	1,378
<u>Accounts receivable—affiliate</u>	897	712
<u>Advances to affiliate</u>	408	3,543
<u>LNG inventory</u>	1,343	1,212
<u>LNG inventory—affiliate</u>	3,230	0
<u>Prepaid expenses and other</u>	7,779	4,727
<u>Total current assets</u>	164,547	78,653
<u>Non-current restricted cash and cash equivalents</u>	82,394	82,394
<u>Property, plant and equipment, net</u>	1,524,340	1,550,465
<u>Debt issuance costs, net</u>	18,726	22,004
<u>Other</u>	13,025	9,976
<u>Total assets</u>	1,803,032	1,743,492

**Current liabilities**

<u>Accounts payable</u>	1,120	1,072
<u>Accounts payable—affiliate</u>	3,820	0
<u>Accrued liabilities</u>	58,082	17,848
<u>Accrued liabilities—affiliate</u>	5,902	5,949
<u>Deferred revenue</u>	26,457	26,592
<u>Deferred revenue—affiliate</u>	674	673
<u>Other</u>	778	0
<u>Total current liabilities</u>	96,833	52,134
<u>Long-term debt, net of discount</u>	2,191,244	2,187,724
<u>Deferred revenue</u>	26,500	29,500
<u>Deferred revenue—affiliate</u>	12,266	9,813
<u>Other non-current liabilities</u>	321	329
<u>Commitments and contingencies</u>	0	0

**Partners' deficit**

<u>Common unitholders (31,003,154 units and 26,416,357 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)</u>	(38,368)	(69,191)
<u>Subordinated unitholders (135,383,831 units issued and outstanding at September 30, 2011 and December 31, 2010)</u>	(473,134)	(453,896)
<u>General partner interest (2% interest with 3,395,653 units and 3,302,045 units issued and outstanding at September 30, 2011 and December 31, 2010, respectively)</u>	(12,630)	(12,921)
<u>Total partners' deficit</u>	(524,132)	(536,008)
<u>Total liabilities and partners' deficit</u>	\$	\$
	1,803,032	1,743,492