

CHENIERE ENERGY INC
Form DEF 14A
April 28, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Cheniere Energy, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

Reg. §240.14a-101.

SEC 1913 (3-99)

CHENIERE ENERGY, INC.

700 Milam Street, Suite 800

Houston, Texas 77002

(713) 375-5000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE

9:00 a.m., Central Daylight Time on June 16, 2011

PLACE

The Crystal Ballroom at the Post Rice Lofts
909 Texas Avenue
Houston, Texas 77002

ITEMS OF BUSINESS

To elect three Class I members of the Board of Directors to serve until the 2014 annual meeting of stockholders.

To provide an advisory and non-binding vote on the compensation of the Company's named executive officers for fiscal year 2010 as disclosed in this Proxy Statement.

To provide an advisory and non-binding vote on the frequency of the stockholder vote on executive compensation.

To approve the Cheniere Energy, Inc. 2011 Incentive Plan.

To permit the direct issuance of common stock with full voting rights upon conversion of certain outstanding debt.

To ratify the appointment of Ernst & Young LLP as our independent accountants for the 2011 fiscal year.

To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

RECORD DATE

You can vote if you were a stockholder of record on April 18, 2011.

PROXY VOTING

It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning your proxy card or by voting on the Internet or by telephone. See details under the heading "How do I vote?"

ELECTRONIC AVAILABILITY OF PROXY MATERIALS

We are making this Proxy Statement, including the Notice of Annual Meeting and 2010 Annual Report on Form 10-K for the year ended December 31, 2010, available on our website at:

http://www.cheniere.com/corporate/2011_annual_meeting.shtml.

BY ORDER OF THE BOARD OF DIRECTORS

Anne V. Bruner

Corporate Secretary

April 28, 2011

CHENIERE ENERGY, INC.

700 Milam Street, Suite 800

Houston, Texas 77002

(713) 375-5000

PROXY STATEMENT

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors (the **Board**) of Cheniere Energy, Inc. (Cheniere, the Company, we, us or our), a Delaware corporation, of proxies to be voted at our 2011 Annual Meeting of Stockholders and any adjournment or postponement thereof.

You are invited to attend our Annual Meeting of Stockholders (Meeting) on June 16, 2011, beginning at 9:00 a.m., Central Daylight Time. The Meeting will be held in the Crystal Ballroom at the Post Rice Lofts, 909 Texas Avenue, Houston, Texas 77002.

This Notice of Annual Meeting, Proxy Statement, proxy card and 2010 Annual Report on Form 10-K for the year ended December 31, 2010, are being mailed to stockholders starting April 28, 2011.

Do I need a ticket to attend the Meeting?

You will need an admission ticket or proof of ownership to enter the Meeting.

If your shares are held beneficially in the name of a bank, broker or other holder of record and you plan to attend the Meeting, you must present proof of your ownership of Cheniere stock, as of April 18, 2011, such as a bank or brokerage account statement, to be admitted to the Meeting. If you would rather have an admission ticket, you can obtain one in advance by mailing a written request with proof of your ownership of Cheniere stock as of April 18, 2011, to:

Cheniere Energy, Inc.

Attention: Investor Relations

700 Milam Street, Suite 800

Houston, Texas 77002

If you have any questions about attending the Meeting, you may contact Investor Relations at info@cheniere.com or 713-375-5100.

Stockholders also must present a valid government-issued picture identification in order to be admitted to the Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted at the Meeting.

Who is entitled to vote at the Meeting?

Holders of Cheniere common stock at the close of business on April 18, 2011 (the **Record Date**), are entitled to receive this Notice and to vote their shares at the Meeting. As of the Record Date, there were 70,151,869 shares of common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter properly brought before the Meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

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If your shares are registered directly in your name with Cheniere's transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record of those shares. The Notice of Annual Meeting, Proxy Statement, proxy card and 2010 Annual Report on Form 10-K for the year ended December 31, 2010, have been sent directly to you by Cheniere.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of such shares held in street name. The Notice of Annual Meeting, Proxy Statement, proxy card and 2010 Annual Report on Form 10-K for the year ended December 31, 2010, have been forwarded to you by your broker, bank or other holder of record, who is considered the stockholder of record of those shares. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

How do I vote?

You may vote using any of the following methods:

By Mail

You may submit your proxy vote by mail by signing a proxy card if your shares are registered or, for shares held beneficially in street name, by following the voting instructions included by your broker, trustee or nominee, and mailing it in the enclosed envelope. If you provide specific voting instructions, your shares will be voted as you have instructed. If you do not indicate your voting preferences, your shares will be voted as recommended by the Board; provided, however, if you are a beneficial owner, your bank, broker or other holder of record is not permitted to vote your shares on the following proposals if your bank, broker or other holder of record does not receive voting instructions from you: Proposal 1 to elect directors; Proposal 2 to approve, on an advisory basis, the compensation awarded to the Company's named executive officers for the year 2010; Proposal 3 to determine, on an advisory basis, the frequency of the stockholder vote on executive compensation; Proposal 4 to adopt the Cheniere Energy, Inc. 2011 Incentive Plan; and Proposal 5 to permit the direct issuance of common stock with full voting rights upon conversion of certain outstanding debt.

By telephone or on the Internet

If you have telephone or Internet access, you may submit your proxy vote by following the instructions provided on your proxy card or voting instruction form. If you are a beneficial owner, the availability of telephone and Internet voting will depend on the voting processes of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive.

In person at the Meeting

If you are the stockholder of record, you have the right to vote in person at the Meeting. If you are the beneficial owner, you are also invited to attend the Meeting. Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Meeting unless you obtain a legal

proxy from your broker, bank or other holder of record that holds your shares, giving you the right to vote the shares at the meeting.

Can I revoke my proxy?

If you are a stockholder of record, you can revoke your proxy before it is exercised by:

written notice to the Corporate Secretary of the Company;

timely delivery of a valid, later-dated proxy; or

voting by ballot at the Meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker or other holder of record. You may also vote in person at the Meeting if you obtain a legal proxy as described in the answer to the preceding questions.

What shares are included on the proxy card?

If you are a stockholder of record, you will receive a proxy card for the shares you hold in certificate form or in book-entry form.

If you are a beneficial owner, you will receive voting instructions from your bank, broker or other holder of record.

Is there a list of stockholders entitled to vote at the Meeting?

The names of stockholders of record entitled to vote at the Meeting will be available at the Meeting and for ten days prior to the Meeting for any purpose germane to the Meeting. The list will be available between the hours of 8:30 a.m. and 4:30 p.m., at our offices at 700 Milam Street,

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Suite 800, Houston, Texas 77002, by contacting the Corporate Secretary of the Company.

What are the voting requirements to elect the directors and to approve each of the proposals discussed in this Proxy Statement?

The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the Meeting is

necessary to constitute a quorum. In the absence of a quorum at the Meeting, the Meeting may be postponed or adjourned from time to time without notice, other than an announcement at the Meeting, until a quorum shall be formed. Abstentions and broker non-votes represented by submitted proxies will be included in the calculation of the number of the shares present at the Meeting for purposes of determining a quorum. Abstentions and broker non-votes occur when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Proposal 1 Directors are elected by a plurality of the votes cast at the Meeting and the three nominees who receive the most votes will be elected. If you are a beneficial owner, your bank, broker or other holder of record may not vote your shares with respect to Proposal 1 without specific instructions from you as to how to vote with respect to the election of each of the three nominees for director because the election of directors is not considered a routine matter. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of the election of directors.

Proposal 2 To be approved, Proposal 2 regarding the compensation awarded to the Company's named executive officers for the year 2010 must receive the affirmative majority of the total votes cast at the Meeting with respect to Proposal 2. This means that the votes that our stockholders cast FOR Proposal 2 must exceed the votes that our stockholders cast AGAINST Proposal 2 at the Meeting. Because your vote is advisory, it will not be binding on the Board of Directors or the Company. If you are a beneficial owner, your bank, broker or other holder of record may not vote your shares with respect to Proposal 2 without specific instructions from you because Proposal 2 is not considered a routine matter. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of Proposal 2.

Proposal 3 A plurality of the votes cast at the Meeting will determine the frequency of the stockholder vote on executive compensation for every three years, two years or one year. This means that the frequency (every three years, two years or one year) that receives the highest number of votes will be deemed to be the choice of the stockholders. Because your vote is advisory, it will not be binding on the Board of Directors or the Company. If you are a beneficial owner, your bank, broker or other holder of record may not vote your shares with respect to Proposal 3 without specific instructions from you because Proposal 3 is not considered a routine matter. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of Proposal 3.

Proposal 4 To be approved, Proposal 4 to adopt the Cheniere Energy, Inc. 2011 Incentive Plan must receive the affirmative vote of a majority of the total votes cast at the Meeting with respect to Proposal 4. If you are a beneficial owner, your bank, broker or other holder of record may not vote your shares with respect to Proposal 4 without specific instructions from you because Proposal 4 is not considered a routine matter. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of Proposal 4.

Proposal 5 To be approved, Proposal 5 to permit the direct issuance of common stock with full voting rights upon conversion of certain outstanding debt must receive the affirmative vote of a majority of the total votes cast at the Meeting with respect to Proposal 5. If you are a beneficial owner, your bank, broker or other holder of record may not vote your shares with respect to Proposal 5 without specific instructions from you because Proposal 5 is not considered a routine matter. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of Proposal 5.

Proposal 6 To be approved, Proposal 6 to ratify the appointment of Ernst & Young LLP must receive an affirmative vote of a majority of the total votes cast at the Meeting with respect to Proposal 6. Proposal 6 is considered a routine matter and, therefore, if you are a beneficial owner, your bank, broker or other holder of record has the authority to vote your unvoted shares on Proposal 6 if you have not furnished voting instructions within a specified period of time prior to the Meeting. Accordingly,

broker non-votes represented by submitted proxies will be taken into account in determining the outcome of Proposal 6. Abstentions will be counted as a vote against Proposal 6.

Could other matters be decided at the Meeting?

As of the date of this Proxy Statement, we do not know of any matters to be raised at the Meeting other than those referred to in this Proxy Statement.

If other matters are properly presented for consideration at the Meeting, the persons named in your proxy card will have the discretion to vote on those matters for you.

Who will pay for the cost of this proxy solicitation?

We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by telephone, electronic transmission and facsimile transmission. We have hired Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902 to solicit proxies. We will pay

Morrow & Co., LLC a fee of \$8,500 plus expenses for these services.

Who will count the vote?

Broadridge Financial Solutions, Inc., an independent third party, will tabulate the votes.

Important Notice Regarding the Availability of Proxy Materials for the 2011 Annual Meeting to be held on June 16, 2011

The Proxy Statement, including the Notice of Annual Meeting and 2010 Annual Report on Form 10-K for the year ended December 31, 2010, are available on our website at http://www.cheniere.com/corporate/2011_annual_meeting.shtml. Please note that the Notice of Annual Meeting is not a form for voting, and presents only an overview of the more complete proxy materials, which contain important information and are available on the Internet or by mail. We encourage our stockholders to access and review the proxy materials before voting.

PROPOSAL 1 ELECTION OF CLASS I DIRECTORS**Directors and Nominees**

The Board is divided into three classes. At the Meeting, Charif Souki, Walter L. Williams, and Keith F. Carney will be nominated to serve as Class I directors. Each nominee, if elected, will hold office until the 2014 annual meeting of stockholders and will serve until his successor is duly elected and qualified or until his earlier death, resignation or removal.

Unless your proxy specifies otherwise or withholds authority to vote for one or more nominees named thereon and described below, it is intended that the shares represented by your proxy will be voted for the election of these three nominees. If you are a beneficial owner, your bank, broker or other holder of record is not permitted to vote your shares on Proposal 1 to elect directors if the bank, broker or other holder of record does not receive voting instructions from you. Proxies cannot be voted for a greater number of persons than the number of nominees named. The Board is unaware of any circumstances likely to render any nominee unavailable.

The Board of Directors recommends a vote FOR the election of the three nominees as Class I directors of the Company, to serve until the 2014 annual meeting of stockholders or until their successors are duly elected and qualified.

The individuals listed below currently serve on the Board of the Company. Each of the Class I directors is standing for re-election and has consented to serve as a director if re-elected.

Director	Director Since	Age	Position	Class
Charif Souki	1996	58	Director, Chairman of the Board of Directors, Chief Executive Officer and President	I
Walter L. Williams	1996	83	Director	I
Keith F. Carney	2001	54	Director	I
Nuno Brandolini	2000	57	Director	II
John M. Deutch	2006	72	Director	II
Paul J. Hoenmans	2001	78	Director	II
Vicky A. Bailey	2006	58	Director	III
David B. Kilpatrick	2003	61	Director	III
G. Andrea Botta	2010	57	Director	III

Director Biographies

Charif Souki, a co-founder of the Company, is Chairman of the Company's Board, Chief Executive Officer and President. In December 2002, Mr. Souki assumed the positions of President and Chief Executive Officer. He relinquished the title of President in April 2005 and was re-elected President again in April 2008. From June 1999 to December 2002, he was Chairman of the Board and an independent investment banker. From September 1997 until June 1999, he was Co-Chairman of the Board of Directors, and he served as Secretary from July 1996 until September 1997. Mr. Souki has over 20 years of independent investment banking experience and has specialized in providing financing for microcap and small capitalization companies with an emphasis on the oil and gas industry. Mr. Souki is a director, Chairman of the Board and the Chief Executive Officer of Cheniere

Energy Partners GP, LLC (Cheniere Partners GP), a wholly-owned subsidiary of the Company and the general partner of Cheniere Energy Partners, L.P. (Cheniere Partners), a publicly-traded limited partnership that is operating the Sabine Pass LNG terminal in which the Company has an approximate 90.6% equity interest. Mr. Souki received a B.A. from Colgate University and an M.B.A. from Columbia University.

Walter L. Williams is a director of the Company. He served as Vice Chairman of the Board from June 1999 until June 2008. He previously served as President of Cheniere LNG, Inc. from February 1997 until June 2008, as President and Chief Executive Officer from September 1997 until June 1999 and as Vice Chairman of the Board of Directors from July 1996 until September 1997. Prior to joining the Company, Mr. Williams spent 32 years as a founder and later Chairman and Chief Executive Officer of Texoil Company, a publicly-held Gulf Coast exploration and production company. Prior to that time, he was an independent petroleum consultant. Mr. Williams is also a director of Cheniere Partners GP. Mr. Williams received a B.S. in Petroleum Engineering from Texas A&M University and is a Registered Professional Engineer in Louisiana and Texas. Mr. Williams currently serves on the Dwight Look College of Engineering Advisory Council at Texas A&M University.

Vicky A. Bailey is Chair of our Compensation Committee and Section 162(m) Subcommittee and a member of our Audit Committee and Governance and Nominating Committee. Since November 2005, Ms. Bailey has been President of Anderson Stratton International, LLC, a strategic consulting and government relations company in Washington, D.C. She was a partner with Johnston & Associates, LLC, a public relations firm in Washington, D.C. from March 2004 through October 2005. Prior to joining Johnston & Associates, LLC, Ms. Bailey served as Assistant Secretary for the Office of Policy and International Affairs from 2001 through February 2004. From 2000 until May 2001, she was President and a director of PSI Energy, Inc, the Indiana electric utility subsidiary of Cinergy Corp. Prior to joining PSI Energy, Ms. Bailey was a Commissioner on the Federal Energy Regulatory Commission beginning in 1993. Ms. Bailey currently serves as a director of EQT Corporation, a publicly traded integrated energy company. In January 2010, Ms. Bailey was appointed as a member of the Secretary of Energy's Blue Ribbon Commission on America's Nuclear Future. She received a B.S. in industrial management from Purdue University.

G. Andrea Botta was elected by the Board to serve as a director of the Company effective August 2, 2010. Mr. Botta has served as President of Glenco LLC (Glenco), a private investment company, since February 2006. Prior to joining Glenco, Mr. Botta served as managing director of Morgan Stanley from 1999 to February 2006. Before joining Morgan Stanley, he was President of EXOR America, Inc. (formerly IFINT-USA, Inc.) from 1993 until September 1999 and for more than five years prior thereto, Vice President of Acquisitions of IFINT-USA, Inc. Mr. Botta earned a degree in economics and business administration from the University of Torino in 1976. He currently serves on the board of directors of Graphic Packaging Holding Company.

Nuno Brandolini is a director of the Company. Mr. Brandolini is a general partner of Scorpion Capital Partners, L.P., a private equity firm organized as a small business investment company (SBIC). Prior to forming Scorpion Capital and its predecessor firm, Scorpion Holding, Inc., in 1995, Mr. Brandolini served as Managing Director of Rosecliff, Inc., a leveraged buyout fund co-founded by Mr. Brandolini in 1993. Prior to 1993, Mr. Brandolini was a Vice President in the investment banking department of Salomon Brothers, Inc., and a Principal with the Batheus Group and Logic Capital, two venture capital firms. Mr. Brandolini began his career as an investment banker with Lazard Freres & Co. During the past five years, Mr. Brandolini served as a director of Miravant Medical Technologies, a pharmaceutical preparations company. Mr. Brandolini received a law degree from the University of Paris and an M.B.A. from the Wharton School.

Keith F. Carney is the Lead Director of the Board and a member of our Audit Committee and Compensation Committee. He currently is engaged in private investments. From October 2001 through December 2005, Mr. Carney was President of Dolomite Advisors, LLC, an investment firm. Mr. Carney served as Executive Vice President of the Company from 1997 through August 2001 and Chief Financial Officer and Treasurer of the Company from July 1996 through November 1997. Prior to joining the Company, Mr. Carney was a securities analyst in the oil and gas exploration/production sector with Smith Barney, Inc. from 1992 to

1996. From 1982 to 1990, he was employed by Shell Oil as an exploration geologist. He received an M.S. in geology from Lehigh University in 1982 and an M.B.A. in Finance from the University of Denver in 1992.

John M. Deutch is Chairman of our Governance and Nominating Committee. Mr. Deutch is an Institute Professor at the Massachusetts Institute of Technology (MIT) and has been a member of the MIT faculty since 1970. Mr. Deutch has served in significant government posts throughout his career, including Director of Energy Research and Undersecretary of the U.S. Department of Energy, Undersecretary and Deputy Secretary of Defense, and Director of Central Intelligence. In addition, he has authored over 140 technical publications. Mr. Deutch is currently a director of Raytheon Company, a publicly traded company. During the past five years, he also served as a director of Citigroup, Inc., a publicly traded financial banking company, Schlumberger N.V. (Schlumberger Limited), a publicly traded oil, gas and field services company, and Cummins Inc., a publicly traded engines and turbine company. Mr. Deutch earned a B.A. in History and Economics from Amherst College and a B.S. in Chemical Engineering and a Ph.D. in Physical Chemistry from MIT.

Paul J. Hoenmans is a member of our Audit Committee and Governance and Nominating Committee. Mr. Hoenmans is retired with over 35 years of senior executive level experience in the oil and gas industry. He served Mobil Oil Corporation in various executive capacities, most recently as director and Executive Vice President, with overall responsibility for policy, strategy, performance and stakeholder contact. From 1986 through 1996, he served as the President of Mobil Oil Corporation's exploration and production division, with worldwide responsibility for upstream operations. Mr. Hoenmans held various other positions of senior executive level responsibility with Mobil since 1975, over both upstream and downstream operations worldwide throughout the Americas, Africa, Southeast Asia, the Middle East, Europe and Scandinavia. He received a B.S. in civil engineering from the University of British Columbia.

David B. Kilpatrick is Chairman of our Audit Committee and a member of the Compensation Committee and Section 162(m) Subcommittee. Mr. Kilpatrick has over 30 years of executive, management and operating experience in the oil and gas industry. Since 1998, he has been the President of Kilpatrick Energy Group, a consulting firm to oil and gas companies. From 1996 to 1998, Mr. Kilpatrick was the President and Chief Operating Officer for Monterey Resources, Inc., an independent oil and gas company in California. From 1982 to 1996, he held various managerial positions at Santa Fe Energy Resources, an oil and gas production company. Mr. Kilpatrick is currently serving as a director of the California Independent Petroleum Association and the Independent Oil Producers Agency. He is also currently serving as a director of BreitBurn Energy Partners, L.P., a publicly traded independent oil and gas limited partnership. During the past five years, Mr. Kilpatrick served as a director of PYR Energy Corporation, a publicly traded crude petroleum and natural gas company and Whittier Energy Corporation, a publicly traded oil and gas field exploration services company. Mr. Kilpatrick received a B.S. in petroleum engineering from the University of Southern California and a B.A. in geology and physics from Whittier College.

Governance Information

Director Independence

The Board determines the independence of each director and nominee for election as a director in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) and the NYSE Amex Equities independence standards, which are listed below. The Board also considers relationships that a director may have:

as a partner, shareholder or officer of organizations that do business with or provide services to Cheniere;

as an executive officer of charitable organizations to which we have made or make contributions; and

that may interfere with the exercise of a director's independent judgment.

The NYSE Amex Equities independence standards state that the following list of persons shall not be considered independent:

a director who is, or during the past three years was, employed by the Company or by any parent or subsidiary of the Company;

a director who accepts, or has an immediate family member who accepts, any payments from the Company or any parent or subsidiary of the Company in excess of \$120,000 during any period of twelve consecutive months within the past three fiscal years other than compensation for Board or committee services, compensation paid to an immediate family member who is a non-executive employee of the Company, compensation received for former service as an interim executive officer provided the interim service did not last longer than one year, or benefits under a tax-qualified retirement plan, or non-discretionary compensation;

a director who is an immediate family member of an individual who is, or has been in any of the past three years, employed by the Company or any parent or subsidiary of the Company as an executive officer;

a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;

a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the Company's executive officers serve on the compensation committee of such other entity; or

a director who is, or has an immediate family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

As of March 2, 2011, the Board determined that Messrs. Botta, Carney, Deutch, Hoenmans and Kilpatrick and Ms. Bailey are independent, and none of them has a relationship that may interfere with the exercise of his or her independent judgment.

Board Leadership Structure and Role in Risk Oversight

Board Leadership Structure. Mr. Souki serves as Chairman of the Board and Chief Executive Officer. From time to time, the Board considers whether Mr. Souki continues to be the appropriate person to serve in the combined role of Chairman and Chief Executive Officer. The Board has determined that Mr. Souki should continue to serve in the combined role of Chairman and Chief Executive Officer based on various factors. First, as a co-founder of the Company, Mr. Souki's leadership and vision for the Company have been instrumental in its development. Second, as the Company's facilities have transitioned into being fully operational, Mr. Souki continues to have the ability to execute on both the Company's short-term and long-term strategies necessary for its overall business plan in the LNG marketplace, including the initiation of the project to add liquefaction services at the Sabine Pass LNG terminal. Finally, Mr. Souki has the confidence of the Board and the Company to continue to implement the Company's business plan.

In addition to these factors, the Company has in place sound counter-balancing mechanisms to ensure the continued accountability of the Chief Executive Officer to the Board. These counter-balancing mechanisms include:

The Board has appointed a Lead Director to provide independent leadership to the Board, to ensure that the Board operates independently of management and that directors have an independent leadership contact;

Each of the Board's standing committees, including the Audit, Compensation and Governance and Nominating Committees are comprised of and chaired solely by non-employee directors who meet the independence requirements under the NYSE Amex Equities listing standards and the SEC;

The independent directors of the Board, along with the Compensation Committee, evaluate the Chief Executive Officer's performance, and the Compensation Committee determines his compensation;

The independent directors of the Board meet in regular executive sessions without management present to discuss the effectiveness of the Company's management, including the Chief Executive Officer, the quality of the Board meetings and any other issues and concerns; and

The Governance and Nominating Committee has oversight of succession planning, both planned and emergency, and the Board has implemented an emergency Chief Executive Officer succession process.

The Board does not believe its leadership structure affects the Board's role in risk oversight. See the discussion on the *Board's Role in Risk Oversight* below. The Board does not currently have a policy as to whether the role of Chief Executive Officer and Chairman should be separate and has the ability to separate these roles in the future if it determines that such a separation would be in the best interest of the Company and its stockholders.

Independent Lead Director. In light of the fact that the Company's Chairman position is held by a non-independent director, the Board has established the position of Lead Director to provide independent leadership to the Board. The Lead Director's role exists to ensure that the Board operates independently of management and that directors have an independent leadership contact. Mr. Carney currently serves as the Lead Director of the Board. The responsibilities of the Lead Director, which have been formally adopted by the Board, outline the Lead Director's role. The responsibilities of the Lead Director are to:

advise the Chairman of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly, while not interfering with the flow of the Company's operations;

provide the Chairman of the Board with input as to the preparation of agendas for the Board and committee meetings;

advise the Chairman of the Board as to the quality, quantity and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties, and while the Company's management is responsible for the preparation of materials for the Board, the Lead Director may specifically request the inclusion of certain material;

recommend to the Chairman of the Board the retention of consultants who report directly to the Board;

coordinate and develop the agenda for, and moderate, executive sessions of the Company's independent directors, and act as principal liaison between the independent directors and the Chairman of the Board on sensitive issues, including, but not limited to, related party transactions;

evaluate, along with the members of the Compensation Committee and the independent directors of the Board, the Chief Executive Officer's performance;

develop, along with the independent directors of the Board, policies and principles with respect to the search for and evaluation of potential successors to the Chief Executive Officer; and

in the absence or the incapacity of the Chairman or Chief Executive Officer, act as the spokesperson for the Company.

Board's Role in Risk Oversight. Risks that could affect the Company are an integral part of Board and committee deliberations throughout the year. The Board has oversight responsibility for assessing the primary risks (including liquidity, credit, operations and regulatory compliance) facing the Company, the relative

magnitude of these risks and management's plan for mitigating these risks. In addition to the Board's oversight responsibility, the committees of the Board consider the risks within their areas of responsibility. The Board and its committees receive regular reports directly from members of management who are responsible for oversight of particular risks within the Company. The Audit Committee discusses with management the Company's major financial and risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The Board and its committees regularly discuss the risks related to the Company's business strategy at their meetings.

Director Nominations and Qualifications

Director Nomination Policy and Procedures. Our Director Nomination Policy and Procedures are attached to the Governance and Nominating Committee's written charter as Exhibit A, which is available on our website at www.cheniere.com. The Governance and Nominating Committee considers suggestions for potential director nominees to the Board of Directors from any source, including current members of the Board of Directors and our management, advisors and stockholders. The Governance and Nominating Committee of the Board of Directors evaluates potential nominees by reviewing their qualifications, results of personal and reference interviews and any other information deemed relevant. Director nominees are recommended to the Board of Directors by the Governance and Nominating Committee. The full Board of Directors will select and recommend candidates for nomination as directors for stockholders to consider and vote upon at the annual stockholders' meeting. The Governance and Nominating Committee reviews and considers any candidates submitted by a stockholder or stockholder group in the same manner as all other candidates.

Qualifications for consideration as a director nominee vary according to the particular areas of expertise being sought as a complement to the existing Board composition. However, minimum criteria for selection of members to serve on our Board of Directors include the following:

highest ethical standards and integrity,

willingness to act on and be accountable for Board decisions,

high level of education and/or business experience,

broad-based business acumen,

understanding of the Company's business and industry,

strategic thinking and willingness to share ideas,

loyalty and commitment to driving the success of the Company,

network of contacts and

diversity of experiences, expertise and backgrounds among members of the Board of Directors.

Practices for Considering Diversity. The minimum criteria for selection of members to serve on our Board of Directors ensures that the Governance and Nominating Committee selects director nominees taking into consideration that the Board will benefit from having directors that represent a diversity of experience and backgrounds. Director nominees are selected so that the Board represents a diversity of experience in areas needed to foster the Company's business success, including experience in the energy industry, finance, consulting, international affairs, public service, governance and regulatory compliance. Each year the Board of Directors and each committee participates in a self-assessment or evaluation of the effectiveness of the Board and its committees as a group. These evaluations assess the diversity of talents, expertise, and occupational and personal backgrounds of the Board members.

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Stockholder Nominations for Director. A stockholder of the Company who is entitled to vote at a meeting of stockholders called for the election of directors may nominate candidates for election to the Board of Directors. Nominations made by a stockholder must be made by giving notice in writing to the Corporate Secretary of the

Company before the later to occur of (i) 60 days prior to the date of the meeting of stockholders called for the election of directors or (ii) 10 days after the Board of Directors makes public disclosure of the date of such meeting. In no event will the public disclosure of an adjournment of an annual meeting of stockholders commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice must set forth the following information as to each person whom the stockholder proposes to nominate for election or re-election as a director: (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Company that are then beneficially owned by such person, (iv) any other information relating to such person that is required by law or regulation to be disclosed in solicitations of proxies for the election of directors of the Company and (v) such person's written consent to being named as a nominee for election as a director and to serve as a director, if elected. A stockholder's notice must also set forth the following information as to the stockholder giving the notice: (i) the stockholder's name and address as they appear in the stock records of the Company, (ii) the class and number of shares of capital stock of the Company that are then beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between the stockholder and each nominee for election as a director and any other person or persons (naming such person or persons), relating to the stockholder's nomination and (iv) any other information required by law or regulation to be provided by a stockholder intending to nominate a person for election as a director of the Company.

Director Qualifications. The Board has concluded that, in light of our business and structure, each of our directors possesses relevant experience, qualifications, attributes and skills and should continue to serve on our Board as of the date of this Proxy Statement. The primary qualifications of our directors are further discussed below.

Mr. Souki has extensive experience with the Company as Chief Executive Officer of Cheniere, Cheniere Partners GP and the general partner of Sabine Pass LNG, L.P., and is responsible for developing the companies' overall strategy and vision and implementing the business plans. In addition, with 20 years of experience as an investment banker specializing in the oil and gas industry, Mr. Souki brings a unique perspective on the energy business to our Board.

Mr. Williams has significant knowledge and expertise about Cheniere and its subsidiaries based on his long history with Cheniere serving as former Chief Executive Officer of the Company for two years and serving as Vice Chairman of the Board of Directors for over 12 years. Mr. Williams brings significant executive-level experience in the oil and gas industry as well as significant knowledge about the operations of the Company to our Board.

Ms. Bailey has extensive knowledge of the energy industry, including significant experience with the Federal Energy Regulatory Commission, and government and public relations. She brings a diversified perspective to our Board based on her experience as a strategic consultant, a former energy executive and having served as Assistant Secretary for the Office of Policy and International Affairs.

Mr. Botta brings a unique international perspective to our Board and significant financial expertise. He has 30 years of investing experience primarily in private equity investing.

Mr. Brandolini brings a unique financial perspective to our Board based on his extensive experience as an investment banker and having actively managed private equity investments for over 17 years.

Mr. Carney has over 28 years of experience in the oil and gas industry and significant knowledge and expertise about Cheniere and its subsidiaries based on his long history with Cheniere serving as former Executive Vice President and Chief Financial Officer and Treasurer of the Company. Mr. Carney brings significant executive-level experience in the oil and gas industry as well as significant expertise about the Company's operations to our Board.

Mr. Deutch has extensive knowledge in the areas of technology, energy, international security and public policy. He brings a diversified perspective about the energy industry to our Board having served in significant government and academic posts throughout his career as well as on many commissions during several presidential administrations. Mr. Deutch served in a number of positions for the U.S. Department of Energy.

Mr. Hoenmans has over 35 years of senior executive level experience in the oil and gas industry, including overall responsibility for policy, strategy, performance and stakeholder contact as well as worldwide responsibility for upstream operations. Mr. Hoenmans brings significant executive-level experience in the oil and gas industry as well as an international perspective to our Board.

Mr. Kilpatrick has over 30 years of executive, management and operating experience in the oil and gas industry and brings significant executive-level and consulting experience in the oil and gas industry to our Board.

Code of Conduct and Ethics

Our Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees of the Company, is available on the Company's website at www.cheniere.com.

Meetings and Committees of the Board

Our operations are managed under the broad supervision and direction of the Board of Directors, which has the ultimate responsibility for the establishment and implementation of the Company's general operating philosophy, objectives, goals and policies. Pursuant to delegated authority, certain Board functions are discharged by the Board's standing Audit, Compensation and Governance and Nominating Committees. Members of the Audit, Compensation and Governance and Nominating Committees for a given year are selected by the Board following the annual stockholders' meeting. During the fiscal year ended December 31, 2010, the Company's Board of Directors held 7 meetings. Each incumbent member of the Board attended or participated in at least 75% of the aggregate number of (i) Board meetings and (ii) committee meetings held by each committee of the Board on which the director served. Although directors are not required to attend annual stockholders meetings, they are encouraged to attend such meetings. At the 2010 annual meeting of stockholders, all members of the Board of Directors were present.

Audit Committee

The Audit Committee's members at December 31, 2010 were Keith F. Carney, David B. Kilpatrick, Vicky A. Bailey and Paul J. Hoenmans. Mr. Kilpatrick serves as Chairman of the Audit Committee. Each member of the Audit Committee has been determined by the Board to be independent as defined by the NYSE Amex Equities listing standards and by the SEC, and the Board has determined that Mr. Carney is an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC. The Audit Committee held 5 meetings during the fiscal year ended December 31, 2010.

The Audit Committee has a written charter, which is available on our website at www.cheniere.com. The Audit Committee is appointed by the Board to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements. The Audit Committee assists the Board in monitoring:

the integrity of the Company's financial statements,

the qualifications, independence and performance of our independent accountants,

our internal audit function and systems of internal controls over financial reporting and disclosure controls and procedures,

the performance of our audit and accounting processes generally and

compliance by the Company with legal and regulatory requirements.

The Audit Committee provides for open, ongoing communication among the independent accountants, financial and senior management, compliance officers and the Board concerning our financial and compliance position and affairs. The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities and has sole authority to retain special legal, accounting or other consultants to advise the Audit Committee and to approve the fees and other retention terms of such consultants. The Audit Committee's responsibility is oversight, and it recognizes that the Company's management is responsible for preparing the Company's financial statements and complying with applicable laws and regulations.

Governance and Nominating Committee

The Governance and Nominating Committee's members at December 31, 2010 were John M. Deutch, Vicky A. Bailey and Paul J. Hoenmans. Mr. Deutch serves as Chairman of the Governance and Nominating Committee. Each member of the Governance and Nominating Committee has been determined by the Board to be independent as defined by the NYSE Amex Equities listing standards and by the SEC. The Governance and Nominating Committee held 3 meetings during fiscal year ended December 31, 2010.

The Governance and Nominating Committee has a written charter, which is available on our website at www.cheniere.com. The Governance and Nominating Committee is appointed by the Board to oversee the Company's policies and practices relating to corporate governance and to review the effectiveness of the policies and practices periodically. The Governance and Nominating Committee also oversees our Director Nomination Policy and Procedures. The Governance and Nominating Committee has the following duties and responsibilities, among others:

oversee the evaluation by the Board of itself and its committees,

identify, recruit and evaluate individuals qualified to serve on the Board and to recommend that the Board select director nominees to be considered for election at the Company's annual meeting of stockholders or to be appointed by the Board to fill an existing or newly created vacancy on the Board,

identify members of the Board to serve on each Board committee and as chairman and recommend each such member and chairman to the Board,

assist the Board in determining director independence under applicable laws, rules and regulations,

ensure the Board maintains policies and procedures with respect to the evaluation of the performan