CAUSE NO. _____

CHENIERE ENERGY, INC. and CHENIERE LNG TERMINALS, LLC,	§	IN THE DISTRICT COURT OF
Plaintiffs,	§	
v.	§	HARRIS COUNTY, TEXAS
CHARIF SOUKI,	§	
Defendant.	§	____ JUDICIAL DISTRICT

ORIGINAL PETITION

Plaintiffs Cheniere LNG Terminals, LLC ("CLNGT") and Cheniere Energy, Inc. ("CEI," and collectively with CLNGT, "Cheniere") file this Original Petition against Charif Souki ("Souki").

Discovery Control Plan

1. Cheniere intends that discovery be conducted under Level 3. This suit is not governed by the expedited-actions process in Rule 169 of the Texas Rules of Civil Procedure because Cheniere seeks monetary relief in excess of $100,000.

Parties

2. Plaintiff CLNGT is a Delaware limited liability company that has its principal place of business in Houston, Texas.

3. Plaintiff CEI is a publicly traded Delaware corporation that has its principal place of business in Houston, Texas.

4. Defendant Souki is a resident of Harris County, Texas and may be served with process at 1300 Lamar Street, Houston, Texas 77002.

Venue

5. Venue is proper in this Court because (i) Souki is a resident of Harris County and (ii) a substantial portion of the acts and/or omissions giving rise to Cheniere's claims occurred in Harris County.

Facts

A. Overview.

6. This suit arises from wrongful conduct by Souki, Cheniere's former Chief Executive Officer and Chairman of the Board, in connection with a proposed joint development arrangement between Cheniere and Parallax Enterprises LLC ("Parallax Enterprises"), a company owned and controlled by Souki's personal friend, Martin Houston ("Houston"). Cheniere recently learned of the extent of Souki's misconduct in the course of discovery in related litigation.

7. On Souki's recommendation, Cheniere loaned approximately $46 million to Parallax Enterprises through a secured promissory note to permit the company to progress its development work while Cheniere evaluated the possibility of entering into a joint development arrangement with Parallax Enterprises to pursue two mid-scale natural gas liquefaction projects in Louisiana (the "Potential Liquefaction Projects").

8. Under the terms of the secured promissory note dated April 23, 2015, as amended on June 30, 2015, September 30, 2015, and November 4, 2015, issued by Parallax Enterprises in favor of CLNGT (the "Secured Note"), Cheniere's loan was secured by all of the assets of Parallax Enterprises and its affiliates (collectively, "Parallax").

9. Parallax's subsidiaries used the funds Cheniere provided under the Secured Note to pursue the Potential Liquefaction Projects while Cheniere and Parallax negotiated the terms of a possible joint development arrangement to purse the projects.

10. As negotiations regarding the potential joint development arrangement dragged on for the better part of a year, it became increasingly clear that such an arrangement was fraught with potentially insurmountable development obstacles. Cheniere thereafter elected not to pursue the Potential Liquefaction Projects.

11. The Secured Note matured on December 11, 2015. To date, Parallax has paid none of the amount owed to Cheniere under the Secured Note.

12. On December 12, 2015, Cheniere's Board of Directors terminated Souki as its CEO. However, Souki continued as a Cheniere director until February 12, 2016, when he resigned.

13. Less than two weeks after his resignation from Cheniere's Board, Souki announced that he and Parallax's principal Martin Houston had formed Tellurian Investments, Inc. ("Tellurian"), a company that they claimed would "offer[] mid-scale natural gas liquefaction and export projects along the United States Gulf Coast."

14. Within a few months, Tellurian commenced governmental filings to secure permits for a mid-scale liquefaction project that was virtually identical to one of the Potential Liquefaction Projects that Parallax had pursued with funds loaned by Cheniere under the Secured Note.

15. Unbeknownst to Cheniere, during Souki's final months as a Cheniere director, Souki and Houston had pursued a plan to form their new company and transfer Parallax's assets—the collateral identified in the Secured Note—to it in direct contravention of Cheniere's collateral rights under the Secured Note.

B. Souki and Houston's business and personal relationship.

16. Souki is a co-founder of Cheniere and served as its CEO and Chairman of the Board until December 2015. In just his last three years of service in this capacity, Souki's total compensation from Cheniere exceeded $200 million.

17. At Souki's direction, in 2008, Cheniere embarked on a plan to convert its existing liquefied natural gas ("LNG") regasification terminal in Cameron Parish, Louisiana—a facility designed to receive LNG cargoes from abroad and regasify them for domestic sale—into an LNG liquefaction terminal—a facility that would liquefy domestically supplied natural gas for international export.

18. In order to secure the billions of dollars of capital required for its liquefaction plant's construction, Cheniere had to demonstrate a source of stable cash flows from what it intended to sell. It did so by securing long-term gas sale and purchase agreements with customers that committed to purchase LNG produced from the liquefaction facility Cheniere intended to construct.

19. In October 2011, Cheniere entered into its first long term sale and purchase contract with BG Group ("BG"), a multinational oil and gas company. In this timeframe, Martin Houston was BG's Chief Operating Officer.

20. In the course of and following negotiations of the sale and purchase agreement between Cheniere and BG, Souki and Houston became friends and business associates.

C. Houston forms Parallax and approaches Souki about personal investment in mid-scale LNG development.

21. In January 2014, Martin Houston left BG and formed Parallax Enterprises, through which he intended to pursue LNG project development and other activities in the energy sector.

22. In late summer of 2014, Houston approached Souki about the prospect of jointly pursuing "mid-scale" liquefaction projects—that is, projects that would use the same general type of liquefaction technology as Cheniere's existing liquefaction plant, but on a smaller scale that incorporated more modular liquefaction units. Houston and Souki initially contemplated that Souki would pursue such opportunities individually rather than through Cheniere and exchanged draft contractual documents outlining the arrangement between Souki and Parallax.

D. Souki awards Houston a lucrative consultancy agreement with Cheniere and attempts to secure his company a valuable joint development agreement.

23. On December 17, 2014, Souki caused Cheniere to enter into a consulting agreement with another Houston-controlled company, Parallax Consultancy LLC, pursuant to which Houston's entity was paid $100,000 per month.

24. In the same timeframe that he caused Cheniere to award Houston a lucrative consultancy contract, Souki also decided to propose that Cheniere fund the mid-scale liquefaction business opportunity he was exploring with Houston and Parallax rather than pursuing the opportunity individually.

25. At Souki's direction, Cheniere commenced negotiations with Parallax regarding a potential arrangement for joint development of a liquefaction plant in Louisiana that Parallax Enterprises intended to pursue through its subsidiary entities. The negotiations soon expanded to encompass another substantially similar potential project at another location in Louisiana (together, the "Potential Liquefaction Projects").

26. One of the Potential Liquefaction Projects, a mid-scale liquefaction plant to be located in Calcasieu Parish, Louisiana, was pursued by Parallax subsidiary Live Oak LNG LLC ("Live Oak"). In connection with this opportunity, Live Oak engaged Bechtel Oil Gas & Chemicals, Inc. ("Bechtel") as a contractor to perform front-end engineering and design

("FEED") work for the proposed liquefaction facility. Live Oak also acquired lease options on acreage where the plant would be located and employed other consultants to evaluate the project's feasibility and environmental impact.

27. The other Potential Liquefaction Project was a substantially similar mid-scale liquefaction plant to be constructed in Plaquemines Parish, Louisiana. Parallax intended to pursue this project through another subsidiary, Louisiana LNG Energy LLC ("Louisiana LNG"). Louisiana LNG also engaged Bechtel to conduct FEED work associated with the projects, as well as other contractors to assist in evaluating the project's feasibility and environmental impact.

28. In May 2015, Parallax Enterprises and Cheniere entered into a Mutual Confidentiality Agreement (the "Confidentiality Agreement") which provided that their exploration of the Potential Liquefaction Projects would "not impose or create any obligations on either Party or any restriction on the rights of the Parties" or otherwise "limit either Party's right to independently develop, acquire or participate in competitive projects, products, services or information . . . ." The Confidentiality Agreement further specified that "neither the Disclosing Party nor the Disclosing Party's Representatives shall have any liability for any errors or omissions for any damages, or otherwise in any manner . . . in connection with the [Potential Liquefaction Projects]."

E. The Secured Note

29. While the parties negotiated a possible agreement regarding joint pursuit of the Potential Liquefaction Projects, at Souki's direction, Cheniere agreed to loan funds to Parallax Enterprises on a short-term basis. In April 2015, Cheniere loaned Parallax Enterprises

approximately $15 million, which was memorialized in the Secured Note.[1] The Secured Note was guaranteed by Parallax Enterprises and its subsidiaries, including Live Oak. Parallax Enterprises and its subsidiaries also provided Cheniere a security interest in all of their property, which included various assets and intellectual property relating to the Potential Liquefaction Projects.

30. The proceeds Cheniere loaned Parallax Enterprises were to be used to pay the costs associated with Live Oak and Louisiana LNG's pursuit of the Potential Liquefaction Projects.

31. To ensure that Cheniere's collateral rights would not be diluted or impaired, the Secured Note imposed various contractual obligations on Parallax Enterprises and its subsidiaries to preserve their assets. In this regard, the Secured Note provided that Parallax Enterprises and its affiliates:

(i) "shall not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its Properties or issue any limited liability company or other equity interests;" and

(ii) shall not "terminate, amend, supplement or otherwise modify, or grant any waiver or consent under, any Material Contract without the prior consent of [Cheniere]."

32. Over the ensuing several months, at Souki's direction, Cheniere agreed to loan additional funds to Parallax Enterprises on a short-term basis, as reflected in three amendments to the Secured Note, dated June 30, 2015, September 30, 2015, and November 4, 2015, respectively. Through these amendments, the principal amount of the Secured Note was ultimately increased to approximately $46 million.

[1] The Secured Note was originally payable to the order of Cheniere Midstream Holdings, Inc., which subsequently assigned the Secured Note to CLNGT.

33. On June 30, 2015, Parallax Energy LLC, Parallax Enterprises' parent entity, executed a Pledge and Guaranty Agreement (the "Pledge Agreement"), further securing repayment of the Secured Noted by providing a parent guaranty and a pledge of all of the stock of Parallax Enterprises in satisfaction of the Secured Note.

34. Financing statements providing public notice of the Secured Note and Cheniere's security interests thereunder were filed of record in accordance with the Uniform Commercial Code.

E. Souki seeks Cheniere Board approval to negotiate a joint development arrangement with Parallax.

35. In June 2015, months after the Secured Note was signed and Parallax had begun its FEED work, Souki recommended to Cheniere's Board of Directors that the Board authorize Souki and his executive management team to attempt to negotiate a joint development agreement with Parallax to pursue the Potential Liquefaction Projects, pursuant to which Parallax would deliver engineering, procurement, and construction ("EPC") contracts for the construction of the two mid-scale liquefaction plants being developed by Live Oak and Louisiana LNG together with all regulatory permits and satisfaction of other conditions necessary for construction of the facilities, in exchange for a variable success fee, potentially in the range of hundreds of millions of dollars, depending upon construction costs for the facilities and other factors.

36. Cheniere had the experience necessary to secure EPC contracts and required permits for liquefaction plants like the Potential Liquefaction Projects itself. After all, Cheniere was nearing commencement of operations at its own substantially larger liquefaction plant—a plant for which Cheniere personnel had negotiated the EPC contract (with Bechtel, the same contractor Parallax proposed to use for the Potential Liquefaction Projects) and secured all required permits for the facility.

37. However, as Souki explained it to Cheniere's Board, it made business sense to have Parallax undertake negotiation of the EPC contracts and secure required permits in order to free up Cheniere's personnel to focus on other aspects of Cheniere's business, including operation and expansion of Cheniere's existing liquefaction plant, which would soon commence production.

38. On Souki's recommendation, the Board authorized Souki and his team to attempt to negotiate definitive agreements to pursue the Potential Liquefaction Projects and loan money to Parallax under the Secured Note.

F. Cheniere engages in protracted and ultimately unsuccessful negotiations over the terms of a joint development arrangement with Parallax.

39. For the next five months, Cheniere and Parallax personnel negotiated over the terms of a non-binding term sheet that would encapsulate the deal points that would need to be captured in a final, definitive joint development agreement and other definitive documentation. Every draft of the proposed term sheet exchanged between the parties and their respective counsel contained the following all-bold, all-caps statement at the top of the first page:

> THE FOLLOWING PROPOSED TERMS ARE FOR DISCUSSION PURPOSES ONLY. THIS TERM SHEET IS NOT AN OFFER OR COMMITMENT OF ANY SORT AND DOES NOT CONTAIN ALL MATERIAL MATTERS UPON WHICH AGREEMENT WOULD NEED TO BE REACHED IN ORDER FOR A TRANSACTION TO BE CONSUMMATED. THIS TERM SHEET SHALL NOT BE CONSTRUED AS BINDING ANY PARTY IN ANY WAY. NO AGREEMENT TO ENTER INTO A TRANSACTION SHALL EXIST OR BE DEEMED TO EXIST UNTIL THE COMPLETION OF A SATISFACTORY DUE DILIGENCE REVIEW, THE TRANSACTION IS APPROVED BY THE APPLICABLE GOVERNING BODIES OF THE PARTIES AND DEFINITIVE AGREEMENTS ARE EXECUTED BY ALL PARTIES INVOLVED.

40. Although the drafts that the parties exchanged contained substantial revisions throughout the document, neither party ever proposed to revise a single word of the foregoing text.

41. On October 29, 2015, Cheniere sent Parallax a signed letter of intent (the "LOI") attaching a version of the term sheet (Annex A to the LOI) that was acceptable to Cheniere. The LOI contained two parts preceded by the following introductory statement:

> The matters set forth in Part I of this Letter Agreement [which incorporated and described the attached term sheet] constitute an expression of our current mutual intent only and do not constitute a binding agreement between the parties or impose any obligations or duties on the parties with respect to the proposed transaction or otherwise. Any such binding agreement would only result from the negotiation, execution and delivery of written definitive agreements having terms and conditions satisfactory to the parties to such agreements and would be subject to satisfaction of any conditions set forth herein. NO PARTY MAY BRING ANY CLAIM OR ACTION AGAINST ANY OTHER PARTY FOR, AND EACH PARTY TO THIS LETTER AGREEMENT HEREBY RELEASES THE OTHER PARTIES FROM, ANY AND ALL LOSSES, LIABILITIES AND DAMAGES INCURRED, AS A RESULT OF A FAILURE TO AGREE ON OR ENTER INTO ANY DEFINITIVE AGREEMENT AS CONTEMPLATED IN PART I. The matters set forth in Part II of this Letter Agreement, however, constitute binding agreements between the parties.

42. Part II of the LOI, entitled "Binding Agreements," expressly confirmed Cheniere's continuing rights under the Secured Note and Pledge Agreement:

> Notwithstanding anything to the contrary set forth herein, this Letter Agreement also confirms that Cheniere has not waived any of its rights under the Secured Note, and Cheniere expressly reserves all of its rights, powers, privileges and remedies under the Secured Note, . . . the Pledge . . . Agreement and any other document executed in connection with the Secured Note (collectively, the "Loan Documents"), . . . including, without limitation, (i) the right to demand immediate full payment of all obligations owing under the Secured Note and the other Loan Documents and (ii) the right to repossess and take other action with respect to any or all Collateral, including the liquidation thereof pursuant to the security interest granted under the Loan Documents.

43. The LOI also confirmed that neither party had any obligation to pursue the Potential Liquefaction Projects:

> The parties hereto acknowledge and agree that, unless and until a definitive agreement or definitive agreements between the parties with respect to the transactions contemplated in the Term Sheet have been executed and delivered (excluding the attached Term Sheet), and then only to the extent of the specific terms of such definitive agreement or definitive agreements, each party hereto

> hereby waives (a) any fiduciary duty (whether arising out of statute, common law or in equity) owing to such party by the other party, including, without limitation, fiduciary duties arising out of the formation of any state law partnership between the parties, and (b) any right to allege the formation of a partnership or other joint venture between the parties.

44. The LOI further emphasized that

> no past or future action, course of conduct or failure to act relating to the transactions contemplated in the attached Term Sheet or relating to the negotiation of the attached Term Sheet or any definitive agreement or definitive agreements will give rise to or serve as a basis for any obligation or other liability on the part of the parties. Further, each party hereto hereby affirmatively covenants not to sue the other party alleging (i) the formation of a partnership or joint venture or (ii) a breach of a fiduciary duty, unless and until a definitive agreement or definitive agreements between the parties with respect to the transactions contemplated by the Term Sheet have been executed and delivered (excluding the attached Term Sheet).

45. Parallax Enterprises did not execute and return this LOI, instead electing to continue negotiating over the particulars of the term sheet. After negotiations lingered on for more than another month, Parallax executed and returned to Cheniere a revised version of the LOI and term sheet on December 8, 2015. Although Parallax changed certain provisions of the term sheet (but *not* the all caps language on the first page confirming the term sheet's non-binding nature, which was present in every version of the term sheet exchanged by the parties over the preceding six months), the accompanying three-page LOI was virtually identical to the version Cheniere had executed and transmitted a little over a month before and contained all of the passages quoted above.

46. Cheniere never counter-signed the version of the LOI and term sheet executed by Parallax.

47. Over the course of more than six months of intensive negotiations, Parallax and Cheniere had not come to agreement even on a non-binding term sheet, let alone any definitive agreement as the parties expressly required. The negotiation laid bare a number of practical

difficulties with the proposed joint development arrangement. For example, over the course of negotiations, Parallax revealed that it would need to rely heavily on Cheniere personnel both in negotiating the details of the EPC contracts with Bechtel and in public relations, regulatory, and related tasks associated with permitting the projects. These were the very deliverables Parallax was supposed to provide and that Souki suggested justified paying a hefty potential success fee to Parallax. If Cheniere resources would be substantially taxed assisting Parallax in its own performance, the supposed benefit of the proposed joint development arrangement—and the rationale for a potentially large success fee—disappeared. Parallax also balked at certain requirements Cheniere made clear it would require in any EPC contract for construction of the Potential Liquefaction Projects.

48. The Cheniere Board ultimately declined to authorize any further expenditure associated with the Potential Liquefaction Projects, and negotiations on the potential joint development arrangement ceased.

G. Cheniere's Board terminates Souki as the company's CEO and Chairman of the Board.

49. The failed joint development negotiations with Parallax were representative of a larger disconnect between Souki's vision for Cheniere's future and that of Cheniere's Board.

50. While Cheniere was on the cusp of commencing revenue-generating operations, Souki desired to focus on further capital expansions—including into areas that departed from Cheniere's core business—that could create substantial additional risk for the company and its shareholders, while further delaying any prospect of a return to investors through profitable operations.

51. On December 12, 2015, Cheniere's Board of Directors voted to remove Souki as the company's Chief Executive Officer and Chairman of the Board.

H. Parallax defaults on the Secured Note.

52. The Secured Note matured on December 11, 2015, and Parallax Enterprises failed to pay any portion of the principal and interest due on the Secured Note by that date.

53. On December 15, 2015, Cheniere sent Parallax Enterprises a notice of default, informing Parallax Enterprises that the Secured Note was now past due and in default and reserving all of its rights.

54. To date, Parallax Enterprises has repaid Cheniere not a penny of the amount due under the Secured Note.

I. Cheniere sues to enforce the Secured Note, and Parallax falsely asserts that Cheniere breached a purported "partnership agreement."

55. After several months of non-payment, Cheniere instituted an action styled Cause No. 4:16-cv-00286, *Cheniere LNG Terminals, LLC v. Parallax Energy, et al.*, in the United States District Court for the Southern District of Texas (the "Federal Suit") to collect on the Secured Note.

56. Parallax moved to dismiss the Federal Suit for lack of subject matter jurisdiction. Parallax Enterprises simultaneously filed a lawsuit in Louisiana State Court, styled *Parallax Enterprises, LLC v. Cheniere Energy, Inc. and Cheniere LNG Terminals, LLC*, Civil Action No. 62-810, in the 25th Judicial District of Plaquemines Parish, Louisiana (the "Louisiana Suit").[2]

57. Parallax Enterprises asserted in the Louisiana Suit a number of claims, all of which were predicated upon the allegation that through "Mr. Houston and Mr. Souki, Parallax and Cheniere reached an oral agreement in the Spring of 2015 under which Parallax would develop an LNG terminal in Plaquemines Parish, Louisiana (the 'LLNG Project') and [an] LNG

[2] Cheniere removed the Louisiana Suit to the United States District Court for the Eastern District of Louisiana, which transferred the suit to the Southern District of Texas, where it was administratively consolidated with Cheniere's first-filed Federal Suit.

terminal in Calcasieu Parish, Louisiana (the 'Live Oak Project')." Parallax further alleged that "Cheniere agreed to pay Parallax two hundred million dollars ($200,000,000) for each terminal from the profits of the venture."

58. Parallax also contended that it was not obligated to repay any of the amounts owed on the Secured Note, alleging that "Cheniere represented to Parallax that all obligations under the note and its amendments were, pursuant to the [supposed partnership] agreement, to be extinguished at the time that Cheniere (through Cheniere LNG) assumed ownership of the terminals."

59. In August 2016, Parallax Enterprises voluntarily dismissed all of its claims in the Louisiana Suit.

60. Approximately a year later, Parallax reasserted substantially the same claims asserted in the Louisiana Suit in an action styled Cause No. 2017-49685; *Parallax Enterprises LLC, et al., v. Cheniere Energy, Inc. et al.*, In the 61st Judicial District Court of Harris County, Texas (the "Parallax Suit").[3]

61. Parallax's allegations in its lawsuits against Cheniere are flatly inconsistent with the plain language of the Secured Note and the contemporaneous documentation of the parties' negotiations regarding a *potential* joint development arrangement that never came to fruition.

62. Cheniere disputes that any "oral partnership" agreement ever existed between Parallax and Cheniere, as evidenced by Parallax's repeated contemporaneous disavowals of its existence. To the extent Souki now purports to have verbally committed Cheniere to spend potentially hundreds of millions of dollars in the absence of a definitive written joint development agreement and other definitive documentation as Parallax claims (which for the

[3] Cheniere consented to dismissal of its claims in the Federal Suit and refiled those claims in the Parallax Suit.

sake of clarity was never expressed to Cheniere during Souki's tenure), then he misrepresented the status of negotiations and grossly exceeded any authority ever provided to him by Cheniere's Board of Directors.[4]

J. Souki continues as a Cheniere director following his termination as CEO.

63. Following his removal as Cheniere's CEO and Chairman of the Board, Souki continued as a director of the company until February 12, 2016, when he resigned.

64. Cheniere required all directors, officers and employees to adhere to a written Code of Business Conduct and Ethics.

65. The Code of Business Conduct and Ethics specified that prohibited conflicts of interest included circumstances in which (i) "a real or perceived private interest of a director, officer or employee is in conflict with the interest of the Company" or (ii) "the individual has other duties, loyalties, responsibilities or obligations that are, or may be viewed as being, inconsistent with his or her duties, loyalties, responsibilities or obligations to the Company."

66. The Code of Business Conduct and Ethics further provided that "[e]ach director, officer and employee should conduct himself or herself at all times so as to avoid conflicts of interest and the appearance of conflicts of interest unless specifically authorized" as specified in the Code.

67. Cheniere's Code of Business Conduct and Ethics permitted an officer and director such as Souki to engage in conduct constituting an otherwise prohibited conflict of interest only with the express authorization of Cheniere's "Audit Committee or other independent committee of Cheniere's Board of Directors."

[4] As explained herein, Cheniere specifically denies that the purported oral "partnership agreement" claimed by Parallax existed or that it would be legally enforceable even if Souki purported to make it because, among other reasons, (i) Souki lacked actual or apparent authority to bind Cheniere to any such purported agreement, (ii) the purported agreement, as described by Parallax, would be insufficiently definite to constitute a contract, and (iii) the purported agreement would violate the Statute of Frauds.

68. The provisions of Cheniere's Code of Business Conduct and Ethics imposed a continuing legal obligation on Souki following his departure from the company not to cause or permit Cheniere to suffer harm from prior violations of the Code.

69. As demonstrated below, Souki acted in blatant violation of Cheniere's Code of Business Conduct and Ethics and in dereliction of his fiduciary duties to Cheniere by formulating and engaging in a scheme with Houston and Parallax's other principals to misappropriate the collateral securing Parallax's debt to Cheniere under the Secured Note. Souki willfully concealed this scheme from Cheniere's Board.

K. Souki and Houston secretly orchestrate a scheme to pursue one of the Potential Liquefaction Projects in dereliction of Cheniere's collateral rights under the Secured Note.

70. Shortly after his departure from Cheniere's Board, on February 23, 2016, Souki publicly announced that he and Houston had co-founded Tellurian Investments, Inc. ("Tellurian"), a company that they represented would pursue the same type of mid-scale liquefaction projects Parallax had pursued with funds loaned by Cheniere.

71. Unbeknownst to Cheniere, in mid-December 2015, while Souki owed continuing fiduciary duties to the company, Souki and Houston were secretly hatching a scheme to shutter Parallax and continue pursuing Parallax's business opportunities through a new company, thereby misappropriating the assets that served as collateral for the Secured Note.

72. On December 29, 2015, Houston formed an entity called PLX Holdings LLC and, shortly thereafter, certain wholly-owned subsidiary entities (collectively "PLX").

73. Souki agreed to invest personally in PLX and, in January 2016, assisted Houston in attempting to raise funds for PLX from third parties on the basis of Parallax's projects.

74. On February 23, 2016, Souki and Houston caused PLX to reorganize as a corporation and change its name to Tellurian Investments, Inc.

75. Souki made no disclosure to Cheniere of his clandestine agreement to invest in and solicit outside funding on behalf of an entity formed for the purposes of misappropriating Parallax's assets and undermining Cheniere's collateral rights in those assets, nor did he disclose his intention to profit personally from the tens of millions of dollars of FEED work and other development work on the Potential Liquefaction Projects that he had convinced Cheniere to fund through the Secured Note.

76. In effect, Souki had come full circle: without disclosure to Cheniere, he was again personally pursuing the same project his friend Houston presented to him in 2014—only now he was doing it with the benefit of tens of millions of dollars of work funded with money loaned by Cheniere, which Souki and Houston had no intention of repaying.

77. Cheniere recently learned of the extent of Souki's misconduct in the course of discovery in the Parallax Suit. Souki continues to conceal the full scope of his malfeasance. For example, a December 2018 privilege log produced by Tellurian, against which Cheniere has asserted third party claims in the Parallax Suit, identifies a number of communications between Souki, Houston, and other Parallax principals in January 2016 and February 2016, while Souki remained a Cheniere director. Souki's participation in ostensibly privileged and confidential communications with the principals of a party with interests antagonistic to Cheniere, and against which Cheniere had initiated litigation, is antithetical to the fiduciary duties Souki owed Cheniere at the time of the communications.

L. Souki and Houston continue pursuing Parallax's business through Tellurian.

78. Souki and Houston initially conducted Tellurian's business in the same office space leased by Parallax Enterprises, with the same personnel as Parallax Enterprises. Tellurian's website even marketed the company under the same slogan Parallax Enterprises had used: "Energy From a Different Perspective."

79. Tellurian took over Parallax's computer server, thereby securing access to all of Parallax's work product concerning the Potential Liquefaction Projects—work product that Cheniere's money had funded and that served as collateral securing repayment of Cheniere's loan.

80. In mid-2016, Tellurian, through its wholly owned subsidiary Driftwood LNG, LLC ("Driftwood"), commenced preliminary filings with the Federal Energy Regulatory Commission for regulatory approval of a mid-scale liquefaction project materially the same as the project formerly pursued by Live Oak and located on substantially the same acreage in Calcasieu Parish on which Live Oak had option agreements.

81. Driftwood's footprint also included acreage purchased from Technip—a land acquisition on which Parallax had substantially completed negotiations, in conjunction with the Lake Charles Harbor & Terminal District (the "Port"), through the efforts of Parallax employees and outside counsel funded with Cheniere's money over a period of more than six months, as well as transactional costs paid with Cheniere's loan proceeds.

82. At that time in 2016, Houston acknowledged that the project Tellurian was pursuing through Driftwood constituted the same project Live Oak had pursued with funds loaned by Cheniere, as Houston publicly claimed to have "already been working for the past 18

months with Bechtel" on the project—*i.e.*, since Live Oak began pursuing the same opportunity more than a year before.

83. Souki and Houston marketed Tellurian to the investing public on the strength of the project they misappropriated from Parallax, raising more than a quarter of a billion dollars in a series of private placements. Tellurian now boasts a market capitalization in excess of $2 billion.

84. By relying on work performed by Parallax and its contractors, all underwritten by Cheniere loan proceeds, Tellurian has been able to substantially accelerate the regulatory approval process associated with the Driftwood LNG facility it plans to construct.

M. Souki and Houston cause Parallax to forfeit valuable contract rights, further impairing the value of Cheniere's collateral under the Secured Note.

85. The acreage encompassed by Driftwood's proposed project includes 170 acres on which Live Oak had a lease option under an Option to Lease Agreement (the "Option Agreement") with Tower Land Company, LLC ("Tower"). The Option Agreement required Live Oak to make annual payments of $250,000, no later than October 20 of each year to keep the option alive.

86. The Option Agreement is identified in a schedule to the Secured Note as a "Material Contract." Parallax Enterprises and Live Oak, along with Parallax Enterprises' other subsidiaries, covenanted in the Secured Note not to "terminate, amend, supplement or otherwise modify, or grant any waiver or consent under, any Material Contract without the prior consent of [Cheniere]."

87. To preserve the value of its security interest in Live Oak's assets, Cheniere tendered a $250,000 option payment on Live Oak's behalf to Tower on October 14, 2016.

Tower declined to cash Cheniere's check or otherwise acknowledge the extension of Live Oak's option.

88. Unbeknownst to Cheniere, on June 28, 2016, Tower had conveyed all of its interest in the land covered by the Option Agreement to RTO, LLC ("RTO"), an entity under common control with Tower.

89. On October 26, 2016, RTO entered into an option agreement with Tellurian subsidiary Driftwood that provided Driftwood an option to lease the bulk of the acreage covered by Live Oak's Option Agreement.

90. In the course of discovery in the Parallax Suit, Cheniere also learned that, at the direction of Souki and Houston, Christopher Daniels, the general counsel of Parallax and later a Tellurian executive, had emailed the principal of Tower and RTO "[w]ith [his] Parallax hat on," and requested that Tower and RTO's manager "disregard [Cheniere's] payment" of the option fee to Tower on Live Oak's behalf.

91. In causing Live Oak not to enforce its rights under the Option Agreement to an extension of its option on the Tower acreage, notwithstanding Cheniere's timely tender of the option fee on Live Oak's behalf, Tellurian and Driftwood, acting at Souki and Houston's direction, induced Live Oak's breach of its covenant to preserve its rights under all Material Contracts.

92. As a result, Live Oak forfeited valuable contract rights, further impairing the value of collateral securing Parallax Enterprises' obligation to repay the more than $46 million it owes Cheniere under the Secured Note, while at the same time enriching Souki through his interest in Tellurian, which acquired the acreage for itself.

CAUSES OF ACTION

A. Breach of Fiduciary Duties

93. All previous paragraphs are incorporated as if set forth fully herein.

94. Souki's conduct described above, constitutes a clear breach of fiduciary duties to Cheniere in attempting to undermine Cheniere's collateral rights under the Secured Note by acting in concert with Houston to misappropriate Parallax's work product and other assets that served as collateral for Cheniere's loan. As a result of Souki's breaches of fiduciary duties, Cheniere has sustained damages within the jurisdictional limits of the Court.

95. Additionally, Cheniere is entitled to disgorgement of all financial benefit secured by Souki through his breaches of fiduciary duties.

B. Fraudulent Transfer

96. All previous paragraphs are incorporated as if set forth fully herein.

97. Souki knowingly orchestrated the transfer of substantially all of Parallax's tangible and intangible assets to Tellurian and/or its affiliates, in which Souki personally held a substantial ownership interest, in exchange for no consideration.

98. Parallax became insolvent as a result of the transfers.

99. Souki facilitated the transfers described above with the actual intent to hinder, delay, or defraud Cheniere and avoid Parallax's financial obligations under the Secured Note and Pledge Agreement, as evidenced by the following statutory factors set forth in § 24.005(b) of the Texas Uniform Fraudulent Transfer Act, Tex. Bus. Com. Code, §§ 24.001-24.013 ("TUFTA"):

a. At the time of the foregoing transfers, Tellurian, in which Souki held a controlling interest, was an affiliate of Parallax, as defined in TUFTA, on account of the substantial ownership interest in Tellurian held by Houston and/or other Parallax principals. Tex. Civ. Prac. & Rem. Code § 24.002(1). Driftwood, a wholly

owned subsidiary of Tellurian, is likewise an affiliate of Parallax. As such, the transfers were to Parallax "insiders." *Id.* §§ 24.002(7)(D), 24.005(b)(1).

b. Following the transfers, Houston and Souki maintained effective control over the transferred assets on account of their substantial share ownership in Tellurian and managerial authority over Tellurian and Driftwood. *Id.* § 24.005(b)(2).

c. Souki, Houston, and Parallax concealed the transfers of Parallax's assets to Tellurian and/or Driftwood, in contravention of Parallax's obligations to provide Cheniere notice of any such transfer under the terms of the Secured Note. *Id.* § 24.005(b)(3).

d. Before the transfers, Cheniere had provided Parallax notice of its default under the Secured Note and Pledge Agreement. *Id.* § 24.005(b)(4).

e. The transfer was of substantially all of Parallax's assets. *Id.* § 24.005(b)(5).

f. The value of any consideration received by Parallax was not of reasonable equivalent value to the assets transferred to Tellurian and/or Driftwood. *Id.* § 24.004(b)(8).

g. Parallax became insolvent as a result of the transfers. *Id.* § 24.005(b)(9).

100. Cheniere is entitled to (i) damages within the jurisdictional limits of the Court and/or (ii) attachment of Souki's interest in the transferred assets to the extent necessary to satisfy Parallax's obligations to Cheniere under the Secured Note and Pledge Agreement.

C. Tortious Interference with Contract

101. All previous paragraphs are incorporated as if set forth fully herein.

102. The Secured Note and Pledge and Guarantee Agreement are each enforceable contracts.

103. By his conduct described herein, Souki wrongfully interfered with Cheniere's contractual rights under the Secured Note and Pledge Agreement, proximately causing Cheniere to sustain damages within the jurisdictional limits of the Court.

D. Conspiracy/Aiding and Abetting.

104. All previous paragraphs are incorporated as if set forth fully herein.

105. Souki, Houston, Tellurian, and/or Parallax acted together to accomplish the unlawful purpose of fraudulently transferring Parallax's assets in order to avoid satisfaction of Parallax's financial obligation to Cheniere under the Secured Note. Alternatively, on information and belief, Souki, Houston, Tellurian, and/or Parallax aided and abetted one another in accomplishing the foregoing unlawful ends.

106. Souki, Houston, Tellurian, and/or Parallax had a meeting of the minds concerning the object of their course of action, and one or more of them committed unlawful, overt acts in furtherance of the object or course of action.

107. Cheniere suffered injury as a proximate cause of such unlawful conduct.

108. Consequently, Souki is liable for damages Cheniere sustained as a result of unlawful conduct undertaken by any of them.

TOLLING OF LIMITATIONS

109. Any statute of limitations applicable to Cheniere's claims against Souki is tolled as a result of Souki's fraudulent concealment (through silence when he had a duty as Cheniere's fiduciary to speak and/or through affirmative misrepresentations) of his misconduct such that Cheniere could not reasonably have learned of the factual basis for its claims against Souki until 2018, through discovery in the Parallax Suit.

CONDITIONS PRECEDENT

110. Any and all conditions precedent to Cheniere's claims have occurred or have been satisfied, waived, or excused.

RULE 47 STATEMENT

111. Cheniere seeks monetary relief over $1,000,000.

PRAYER FOR RELIEF

Cheniere requests that, after trial on the merits, judgment be entered in favor of Cheniere and awarding the following relief against Souki:

a. General damages in an amount to be proven at trial;

b. Exemplary damages;

c. Disgorgement of any financial benefit secured by Souki as a result of his misconduct complained of herein;

d. Reasonable and necessary attorneys' fees;

e. Costs and expenses; and

f. All other relief that the Court deems appropriate.

Respectfully submitted,

By: */s/ Craig Smyser*

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