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## "EV" for Faraday Spells Embezzlement Vehicle

### Untrustworthy

- Founder Jia Yueting has an undisputed history of securities fraud
- He also has an unbroken streak of spectacular failures
- Jia has significant control over the company, directly and through proxies.

### No Vehicle

- Five factories promised and abandoned. One delayed.
- Technology not ready for mass production
- Fake reservations
- FF-q1 unlikely to find a market.

### Unexplained Cash Burn

- Claim of \$2 bln spent implausible and contradicted by own statements
- Many patents apparently from Jia's China company
- Dubious bills from suppliers.

### Shareholders poised to sell out

- Evergrande 20.5%
- Vendor Trust 6.1%
- FF Global Partners (Legacy FF) 37.4%

↑ The industrial park where FFIE's Deqing "factory" is located. Photo by J Capital researcher

JCAP

## Move Over Lordstown: There's a New EV Scam in Town

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**W**e don't think Faraday Future (FFIE), an EV SPAC, will ever sell a car. So far, it's nothing but a bucket to collect money from U.S. investors and pour it into the black hole of debt created by its founder, China's best-known securities fraudster, Jia Yueting.

After eight years in business, FFIE has failed to deliver a car and is yet again saying "next year." The company has reneged on promises to build factories in five localities in the U.S. and China and repeatedly delayed the sixth. FFIE is being sued by dozens of unpaid suppliers and has failed to disclose that assets in China have

been frozen by courts. And Jia appears to be running the company behind the scenes.

Given the current bubble environment, FFIE nevertheless managed to raise about \$1 bln from U.S. investors via PIPEs and SPAC merger in July. Now it promises to restart its abandoned factory in Hanford, California and mass-produce cars in just seven months. We doubt that timeline will hold: three recent visits to the factory showed little activity, and company formers told us there are still engineering problems to work out.

FFIE is the malformed lovechild of the imperiled Chinese real estate developer Evergrande (3333 HK) and Jia, China's fugitive default king. We expect Evergrande, which owns 20.5% of this company and stands to gain more equity, to sell off its shares as soon as the lockup period ends, in January 2022 if not, quietly, before that.

In January 2021, the company claimed it had 14,000 reservations for the car—until one week after Hindenburg published its findings that Lordstown's orders were faked.<sup>1</sup> Without explanation, after March 19, FFIE no longer made reference to the number of reservations.<sup>2</sup> In fact, these reservations--78% of which were from a single company—had been converted in 2020 to a note payable earning 8% interest. The company strongly implies that the

mystery booker, who was apparently ready to spend well over \$1 bln on FFIE cars, may be an "affiliate." They fail to say who it was. In H1 2021, despite the upcoming SPAC merger, FFIE took in just \$144,000 in new customer deposits.

Massive dilution is coming down the pike. Legacy FF shareholders will receive up to 25 mln FFIE shares based on a limited upward movement in FFIE's share price alone. Over half of those shares are earmarked for Evergrande. SPAC sponsor PSAC had 23.7 mln warrants as of June.

Just last August, despite having very recently raised a significant amount of cash, FFIE continued to issue promissory notes convertible to 4.4 mln new shares with a conversion value equivalent to 130% of the outstanding principal. In an S-1/A just issued on October 4, FFIE showed that it is still raising money, with some of the new debt costing 14%.

Adding insult to injury, FFIE's own filings state deep in the small print that it expects to need an additional \$1.4 bln in funding by 2024 to achieve its financial targets.<sup>3</sup> That is likely to dilute equity holders.

Meanwhile, FFIE may soon move U.S. investor money into private hands. The pro forma combined balance sheet shows \$127.8 mln in notes payable re-

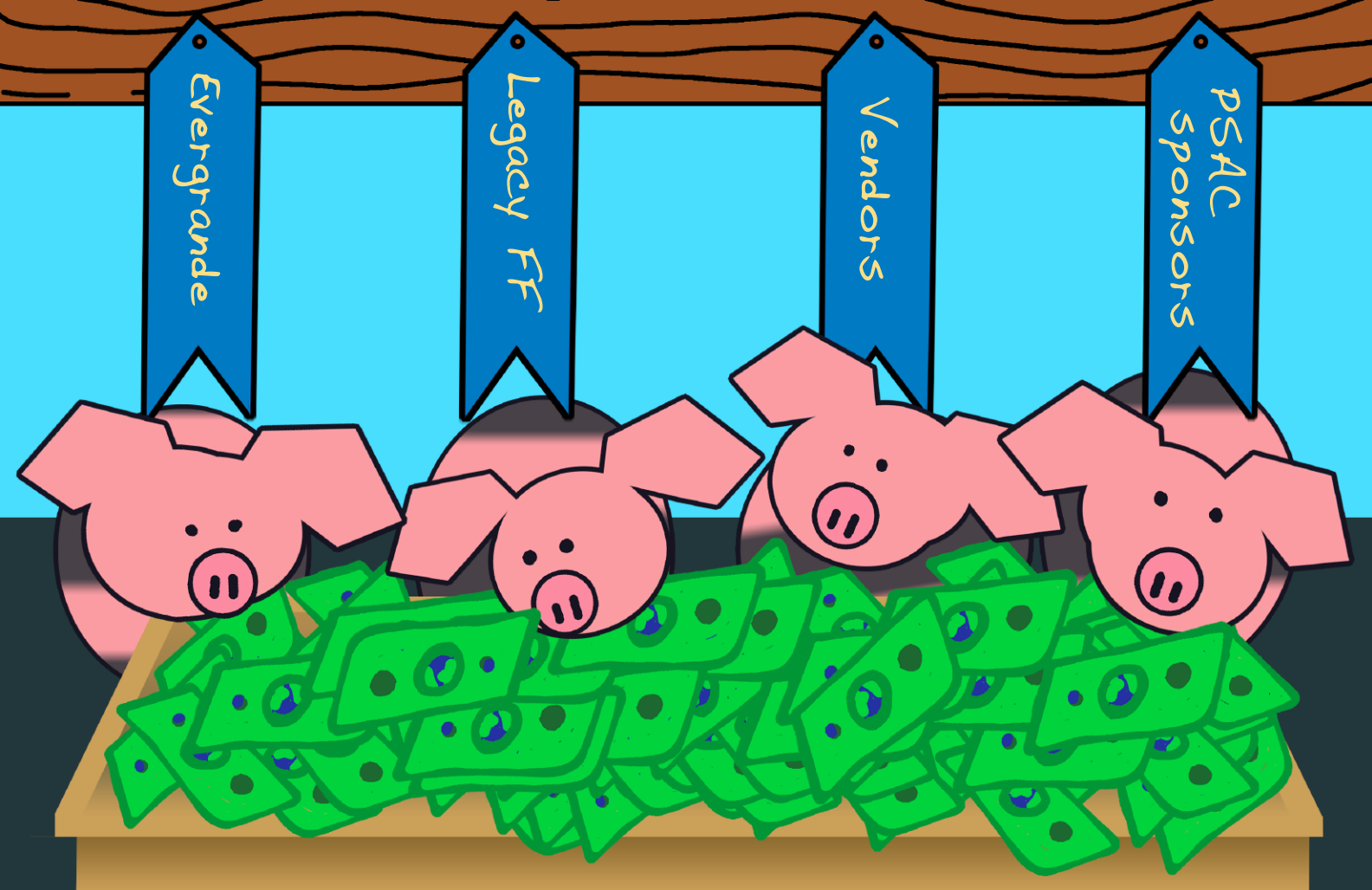
## Gobsmacking dilution to come

Name	Options, earn-out shares, warrants (,000)	Source
Legacy FF	25,000.0	S1/A p 1
of which Evergrande ("Season Smart")	13,337.5	S1/A p 149
PSAC	23,572.1	S1/A p 62
"Employees, directors, and non-employees"	220,277.5	S1/A p F-27
Ares (lender)	670.1	S-1/A p 85
ATW NPA	3,874.2	S-1/A p 134
A "US-based investment firm"	10,199.0	S-1/A p F-9
Total	233,592.9	

1 <https://hindenburesearch.com/lordstown/>

2 See page 2 of the Q&A March 15, 2021, filed March 19, 2021: <https://investors.ff.com/static-files/97a9b0f1-3e0b-493e-b639-fa3e20377ca6>

3 S-1 page 66



maintaining on the accounts after the SPAC merger and PIPE.<sup>4</sup> Jia and other related parties already cashed out \$68.7 mln “in conjunction with the closing” of the SPAC merger on July 21, 2021.<sup>5</sup> We don’t doubt he needs it—Jia at one time claimed \$6.6 bln in personal debt.<sup>6</sup>

On September 20, 2021, the company issued a new presentation claiming progress toward manufacturing.<sup>7</sup> But former engineering executives we interviewed did not believe that the car was ready for production. FFIE’s contention that it needed just \$90 mln to start mass production in seven months is “not even in the ballpark of true,” said one formerly highly placed executive. Another former executive said, “The story with the SPAC is that they just needed money to manufacture, but I think there are still some critical engineering issues.”

Chinese government reports show that in 2016, FFIE’s subsidiary LeSee put \$154 mln into the

company’s largest planned manufacturing site, in China’s Zhejiang Province, but we visited the location and found nothing but an overgrown field. The area is so deserted that even the police station in what was intended to be the Faraday factory park has closed.

Jia Yueting, FFIE founder, has been banned for life from being associated with publicly listed companies in China. FFIE admits in its “risks” section that he has “illegally” provided funding and guarantees to affiliated companies, improperly diverted proceeds from the public offering of a company he controlled, and lied to Chinese regulators and investors. In Hong Kong, where he was chairman of the long-halted Coolpad Group Limited (2369 HK), he failed to disclose key transactions.<sup>8</sup>

Holding the title “Partner, Chief Product & User Ecosystem Officer,” Jia still controls key spending decisions at FFIE through the FF Global Executive

4 See 8K Second amended on page F10 <https://investors.ff.com/static-files/e68a1cfe-72a4-4368-998d-b8cabb76379>

5 See S-1 page F-31

6 See company announcement 2019: [https://ff-genesis-cdn.s3.us-west-2.amazonaws.com/press\\_room/YT-Bankruptcy-Restructuring/Yueting-Jia%E2%80%99s-Debt-Project-Team-Announcement.pdf](https://ff-genesis-cdn.s3.us-west-2.amazonaws.com/press_room/YT-Bankruptcy-Restructuring/Yueting-Jia%E2%80%99s-Debt-Project-Team-Announcement.pdf)

7 <https://investors.ff.com/static-files/d742efe3-951f-4aec-9e06-619521c77e66>

8 February 4, 2021 Draft Registration Statement, page 118 <https://investors.ff.com/static-files/c3918002-0816-47f2-a4cb-dcfe6e876c0a>





Abandoned police station (left) and construction office (right) at the site of “Faraday Park” in Deqing, Zhejiang Province. Photo by J Capital researcher August 2021

Committee. Because of him, FFIE’s USD accounts in China have been frozen by regulators.<sup>9</sup> In a lawsuit against FFIE, the company’s former General Counsel Hong Liu claimed that a Jia “clique” controlled the company regardless of legal commitments.<sup>10</sup>

Embarrassed by Jia, FFIE hired a “professional” CEO in September 2019, but his track record in Chinese EVs is not much better. Carsten Breitfeld was co-founder of Nanjing-based Byton, which owed suppliers and employees millions of dollars when it stopped operating in 2020.<sup>11</sup> He conveniently omits from his bio in the prospectus his ill-fated tenure as CEO of another Chinese EV hopeful called Iconiq, which raised over ¥1.2 bln before going silent.<sup>12</sup> He gets tepid reviews from formers.

In the current overheated EV environment, the company appears to be having difficulty finding talent.

In September, FFIE announced new executives: one from Lordstown—the company an FFIE former said “is setting new standards for fraud”—and two from Karma, a moribund company that the auto news site Jalopnik claims may have faked prototypes.<sup>13</sup> One of the Karma graduates is an ex-vice president of A123 Systems, a formerly U.S.-listed Chinese company that has been sued multiple times for patent infringement and securities fraud.

There is a long list of investors looking to dump shares, from 20.5% holder China Evergrande, to the legacy company FF Global Partners, with 37.4%, to equitized suppliers, who are 6.1% of the float. Some of those holders—two-thirds of the shares in the Vendor Trust and an unspecified number of the shares owned by FF Global Partners—are already eligible for sale.

9 See item 104 of the Hong Kong arbitration agreement between Jia and Evergrande: <https://jusmundi.com/fr/document/decision/pdf/en-smart-king-ltd-v-season-smart-limited-yueting-jia-award-of-emergency-arbitrator-thursday-25th-october-2018>

10 Lawsuit by Hong Liu filed January 3, 2020 in the Southern District of New York.

11 See “Byton’s failure to build a car: wage arrears, high debts, lawsuits, filed for bankruptcy and reorganization,” INF News, August 20, 2021 <https://inf.news/en/economy/83821c14f5ce5eafa84ab81a936d1133.html> and “Byton Proposes Staff Wage Deferrals, Closes Offices,” Equal Ocean, June 22, 2020 <https://equalocean.com/news/2020062214130>

12 <https://www.scmp.com/business/companies/article/2124983/chinese-start-iconiq-set-enter-countrys-electric-car-market-2019>

13 <https://jalopnik.com/source-claims-that-karma-will-layoff-most-workers-and-s-1842985031>

Holder	% of public company	Number of shares	Lock-up
Evergrande	20.5%	66,494,117	ends January 18, 2022
Vendor Trust	6.1%	19,901,731	ends October 20, 2021
FF Global Partners	37.4%	121,438,964	Between August 21, 2021 and July 20, 2022

Source: August 20, 2021 S-1 page 1 and August 2, 2021 Form 3

The August registration statement indicated that \$495.7 mln in liabilities were converted to fully vested shares at the SPAC closing, including \$109.6 mln from vendor payables in trust subject to between 30-90 days' lockup.<sup>14</sup> We expect these holders, most of whom have been unpaid for at least two years, to sell down fast. The entire lock-up for the vendors ends October 20, 2021.

FFIE has burned pretty much everyone who has worked with or invested in the company, save insiders like Jia. FFIE has defaulted on debts to suppliers even when it didn't have to—some of the lawsuits seeking unpaid fees are for a few hundred thousand dollars. The company has repeatedly reneged on

promises to build factories in both the U.S. and China. Its own former general counsel has sued FFIE for unpaid compensation and claims that management broke U.S. laws and acted as a “visa farm” for Chinese nationals.

A former executive of the company told us: “I wouldn't trust Faraday with a dime. If a year ago, someone had contacted all the employee/shareholders and told us we could sell at 2 cents a share, we would have jumped at the opportunity.”

FFIE is just a stream of grandiose announcements that are soon replaced by new hype. We think FFIE is a zero.

14 Note F Page 46 <https://investors.ff.com/static-files/59966441-1b46-4d53-ae4b-f1d18e361eea>



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# Delayed and abandoned factories

We count five abandoned factory projects and one, in Hanford, California, that was delayed in 2019 following repeated promises and seems to be sluggish about restarting

We made three visits in August and September and found little activity.



Southwest corner of Hanford factory. Photo by J Capital researcher August 2021

FFIE's September 20, 2021 presentation and related announcements claim that the factory is tooling up to fulfill the IPO promise of mass-producing in seven months. But we found the factory quiet, and there are only 11 jobs at Hanford posted on Glassdoor and on FFIE's website.<sup>15</sup>

For a company on a tight production schedule, FFIE seems to be very relaxed.

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<sup>15</sup> <https://www.ff.com/us/careers/>





Hanford factory, September 20, 2021. Photo by J Cap researcher



Hanford, CA factory. Photo by J Capital researcher August 2021



Hanford, CA factory. Photo by J Capital researcher August 2021





Empty parking lot, Hanford factory, September 20, 2021. Photo by J Cap researcher



By contrast, Tesla Shanghai, six months before the start of production, looked busy, with people working on site and cars on the access road.



Tesla factory under construction in Shanghai Photo Alamy Stock

Hanford is the only factory left. Going back to 2015, the company has reneged on promises to build five other factories, North Las Vegas and Vallejo, CA in the U.S. and, in China, Deqing in Zhejiang, Zhuhai, and Guangzhou. Chinese government documents show that the company put serious capital--\$454 mln—into two of these facilities and has promised \$250 mln to the third with no factory to show for it.

# Broken Promises:

With 6 factories abandoned or delayed, why should investors believe the latest will go forward?

## December 2015: Las Vegas announced

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### Faraday Future reveals the Nevada megafactory it hopes will topple Tesla: \$1billion facility will build mystery electric car in 2018


- Faraday Future puts the size of the Apex Industrial Park facility at 3 million square feet
- It promises an automated and efficient plant, but very little details have been revealed
- Concept car, which was unveiled at CES in January, has been criticised for being unrealistic
- Mysterious Chinese-backed firm described its creation as 'the most extreme iteration of what it can build'

## May 2016: Vallejo announced

HOME > FRANCE

### Faraday Future just got the green light on what could be its 2nd factory

Bryan Logan Jun 1, 2016, 8:32 AM



## August 2016: Deqing Announced

August 10, 2016

LeEco will invest 20 billion to build a factory in Deqing, Zhejiang

### 乐视造车紧锣密鼓 将投资200亿在浙江德清建厂

2016-08-10 17:19 科技潮人 关注 英文

8月10日下午媒体消息称,乐视今日宣布,将投资近200亿,在浙江湖州德清的莫干山经济开发区建设超级汽车工厂和汽车生态小镇。按照乐视规划,第一阶段规划用地4300亩,计划年产40万台整车,第一期的年产量为20万辆。

## February 2017: Las Vegas plans

**LAS VEGAS REVIEW JOURNAL**

95°F NEWS LOCAL SPORTS BUSINESS OPINION CRIME ENTERTAINMENT

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### Faraday Future vows work on North Las Vegas plant to start soon

Faraday Future wants to reinforce that our commitment to the State of Nevada and our \$1B investment in the region over the next few years has never changed. We've completed the initial preparations of the site, which included the removal of 2.5M cubic yards of dirt and grading of the entire site. Our initial investment of \$120 million in Nevada has also created hundreds of jobs locally. Faraday Future and its employees in Nevada and California are working diligently to continue the company's progress and are moving forward on our multi-staged manufacturing strategy

## May 2017: Capital Injected in Deqing

股东信息

股东	认缴出资额(万元)	认缴出资时间	认缴出资方式	实缴出资额(万元)	实缴出资时间	实缴出资方式
德清县建设发展有限公司	50000万人民币	2016-09-02	货币	6000万人民币	2017-05-01	货币
乐视汽车(北京)有限公司	200000万人民币	2016-09-02	货币	93735.1万人民币	2017-05-01	货币

May 1, 2017 *LeSee Automotive (Beijing) Co., Ltd.* invests ¥937.351 mln of the promised ¥2 bln in cash.

May 1, 2017: *Deqing Qihang Construction Development Co. Ltd.* (local SOE) invests ¥60 mln of the promised ¥500 mln in cash.

## August 2017: Hanford announced

BUSINESS | AUTOS & TRANSPORTATION | AUTOS INDUSTRY

### Electric-Car Maker Faraday Secures Rescue Loan

Company's main investor, Chinese billionaire Jia Yueting, faces financial uncertainty

2015

2016

2017

## 2016 Annual Report for Zhejiang/Deqing company: 0 employees

社保信息			
城镇职工基本养老保险	0人	失业保险	0人
职工基本医疗保险	0人	工伤保险	0人
生育保险	0人		

## December 2016: Jia admits "crisis"

腾讯科技

贾跃亭造车危机背后: "野蛮人"和时间赛跑

21世纪经济报道 作者(编辑) 2016年12月05日08:12 继续阅读 >>



Tencent:

Jia Yueting admits that the company is in a "crisis" and is racing the "barbarians" against time.

## 2017: spent ¥140 mln to purchase land in Deqing, Zhejiang

4月28日,据浙江德清县公共资源交易中心网站消息,26日,乐视汽车在浙江德清获得土地约679亩,总成交价约1.4亿元。根据公示,买下土地的是乐视生态汽车(浙江)有限公司(下称乐视汽车浙江)。

2016年8月,乐视控股宣布投资近200亿元在浙江德清莫干山国家经济开发区建设LeSEE生态汽车超级工厂和汽车生态小镇。

## March 2017: Vallejo abandoned

THE CALIFORNIA REPORT

### The Onetime 'Tesla Killer' Abandons Plans to Build Vallejo Car Factory



## 2017 Annual Report for Zhejiang/Deqing company: 3 employees

社保信息			
城镇职工基本养老保险	3人	失业保险	3人
职工基本医疗保险	3人	工伤保险	3人
生育保险	3人		

## July 2017: Las Vegas abandoned

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### EDITORIAL: Faraday Future's grandiose promises prove to be fantasy

“ I used to use that dirt lot to blow up batteries. ”

- Former executive



## February 2018: promise to start manufacturing at Hanford by yearend

South China Morning Post News Comment Lifestyle Knowledge More + SUBSCRIBE

Electric cars

Faraday Future may begin delivering its FF 91 by year-end at US\$320,000 each in China

## February 2018: Nansha, Guangzhou established, \$300 mln injected

股东（发起人）及出资信息							启信宝
股东	认缴出资额(万元)	认缴出资时间	认缴出资方式	实缴出资额(万元)	实缴出资时间	实缴出资方式	
恒大新能源汽车集团有限公司	205200万人民币	2018-02-12	货币	205200万人民币	2018-02-12	货币	

¥1.052 bln injected in cash on February 12, 2018

8	2019-05-06	名称变更	恒大新能源汽车(中国)集团有限公司	恒大新能源汽车集团有限公司
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Name change May 6, 2019 from Evergrande Faraday Smart Autos to Evergrande Kailong Smart Autos

3	2020-05-28	股东名称变更	恒大新能源汽车(中国)集团有限公司	恒大新能源汽车集团有限公司
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May 28, 2019 Name of the investor changed from Faraday to Kailong

## May 2018: Letter to staff claims Guangzhou is on schedule

## Faraday Future's letter to staff shows FF China plant to start on schedule

INDUSTRY Lily Ren May 13, 2018

## July 2018, California State Senator Andy Vidak meets Jia Yueting at the Hanford factory.



## December 2020: Commits \$250 mln to Zhuhai factory

Government record for FF Automotive (Zhuhai) Co., Ltd. showing \$250 mln in committed capital

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法法汽车 (珠海) 有限公司

存续 小微企业

代表人	<div><div>贾晨涛</div><div>关联企业2家 &gt;</div></div>	经营状态	在署 (开业) 企业	
资本	25000 万美元	实缴资本	-	
入/股东信息 1 <a href="#">查看股东信息</a>		<div>启信宝</div>		
号	发起人/股东	持股比例	认缴出资额	实缴出资额
<div>F</div>	FF Hong Kong Holding Limited	100%	-	-

The Zhuhai government promised to contribute ¥2 bln.

But two separate government officials in Zhuhai told us in August that the local government had determined FFIE did not intend to manufacture vehicles there and withdrew the ¥2 bln offer.

2018

## Deqing Now



## December 2018: Evergrande receives Guangzhou factory in a settlement

China Evergrande New Energy Vehicle Group (2018 AR)

### New Energy Vehicle Segment

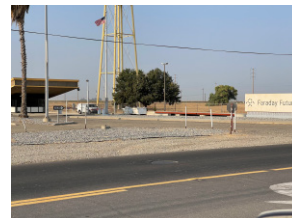
Under the restructuring settlement agreement entered into on 31 December 2018, the Company owns 32% (on a fully-diluted basis) preference shares in Smart King Ltd. ("Smart King") and 100% shares in "Evergrande Faraday Future Holding (Hong Kong) Limited" (renamed "Evergrande Intelligent Automotive (Hong Kong) Limited") ("FF HK"), a wholly-owned subsidiary of Smart King. FF HK owns relevant domestic assets under Guangzhou Nansha Project of Faraday Future. Only the shareholders of Smart King are entitled to repurchase shares at an agreed price within 5 years. The repurchase price will increase year by year from US\$600 million in the first year to US\$1.05 billion in the fifth year.

## June 2019: layoffs at Hanford

Faraday Future lays off more Hanford workers



## Hanford August 2021



2019

2020

Chen Xuefeng, the company's "China CEO," at the company's "919 Futurist Day" in Beijing talked up FFIE's potential cooperation in Zhuhai with Geely. But in July, before the SPAC merger, the city of Zhuhai announced that it was withdrawing investment from FFIE.<sup>16</sup>

## Just like Lordstown—fake reservations

In early 2021, FFIE claimed that it had received deposits for 14,000 cars. In reality, the company a year earlier had already moved about 78% of that amount into a note payable earning 8%. That 78% came from a single company.

(10) During 2019, a U.S. corporation made deposits of \$11,635 with the Company as an advance to purchase FF 91 vehicles. On February 1, 2020, due to production delays the Company entered into a deposit conversion agreement with this corporation to convert the deposit amounts previously paid into a note payable. Upon conversion, the Company reclassified the deposit recorded in other current liabilities as of December 31, 2019 to notes payable as of December 31, 2020. The note matured on December 31, 2020, bears interest at 8.0% per annum, has no covenants and is unsecured.

August Registration Statement Page F-75<sup>17</sup>

“

**It is curious that a single anonymous customer would place such a large deposit in 2019 when FFIE's financial statements show it did not even have the cash to pay back the deposit, let alone to finish developing its cars and to build a manufacturing facility.**

”

FFIE discloses in a note February 4, 2021 that this customer may be an “affiliate.”

*“Between January and August of 2020, the Company entered into various notes payable totaling \$11,635 with an **affiliated company**.”*

August Registration Statement Page F-75<sup>18</sup>

Note Name	Contractual Maturity Date	Contractual Interest Rates	Unpaid Balance
Notes payable(7)	June 30, 2021	8.00%	11,635

August 16, 2021 8K/A Page F-19<sup>19</sup>

16 See Sina: “It is reported that Zhuhai State-owned Assets Co., Ltd. has terminated its shareholding in FF” July 22, 2021 (Chinese language) <https://finance.sina.com.cn/tech/2021-07-22/doc-ikqciyzk6956004.shtml>

17 <https://investors.ff.com/static-files/59966441-1b46-4d53-ae4b-f1d18e361eea>

18 <https://investors.ff.com/static-files/59966441-1b46-4d53-ae4b-f1d18e361eea>

19 <https://investors.ff.com/static-files/e68a1cfe-72a4-4368-998d-b8cabb76379>

## FFIE's Two Realities

Based on the number of reservations claimed and the total \$14.9 mln customer deposit amount recorded in the company's balance sheet around the same time, this \$11.6 mln single customer deposit must have booked 78% of the 14,000, or around 10,900 cars. Assuming a 10% bulk discount to the most recently claimed selling price for the F-91 of \$200,000, this customer was planning to splash out \$180,000 x 10,900 = \$1.962 bln for these cars. We would love to know who the anonymous buyer of \$1.962 bln in cars was.

There doesn't seem to be much demand for the car. In 2020, deposits for car reservations declined, and deposits in the first six months of 2021 barely

### FFIE Deposits from Customers (\$,000)

End June 2021	\$3,667
End Dec 2020	\$3,523
End Dec 2019	\$14,923

Source: FFIE filings

creeped forward.

Even if FFIE now builds the FF91 and sells it for the planned \$200,000, this model will not be profit-

The FF 91 to be Built with Innovative, Class Redefining Features

**Select Anticipated Features**

- 378 miles EPA / 700 km NEDC range from 130 kWh battery<sup>(1)</sup>
- DC fast charging capability among industry leaders
- 0-60 mph in less than 2.40 seconds
- 1050 HP powered by 3 high performance electric motors
- All wheel drive, all-wheel steer and rear-wheel torque vectoring
- Truly mobile connectivity with fixed broadband internet speed
- Over 100" of high-resolution viewing area across 11 displays
- Fully certified to meet US and China government regulations
- Named one of the **Best Cars of CES 2020**

**Overwhelming User Interest**

To date, Faraday Future has received **14,000+ reservations**

With this transaction, the FF 91 is expected to launch inside of 12 months of equity funding

**January 28, 2021:**  
FFIE claims 14,000 reservations for the FF91.

**All 300 invite-only, Futurist Alliance Limited Edition FF 91s have been pre-ordered**

Users can still enroll in a waitlist for Futurist Alliance Limited Edition FF 91 with a deposit of \$5,000

Users can reserve FF 91 Futurist model with a deposit of \$1,500 through the FF Intelligent App

**September 19, 2021:**  
FFIE claims just 300 reservations for the "Limited Edition" FF91.

Slides from presentations by FFIE in January, claiming 14,000 reservations, and September, claiming 300 claiming 300 for the Limited Edition..<sup>20</sup>

able.<sup>21</sup> Deep in its SPAC presentation, the company says that only its "mass-market electric vehicles," the FF81 and FF71, will generate EBITDA.<sup>22</sup> But FFIE has not even prototyped these vehicles—they are the commercial equivalent of pictures drawn on napkins.

A consultant familiar with China and the EV space told us: "A question no one is asking: they are assuming more depth at the luxury end of EVs than really exists."

That could be moot. FFIE's plan comes at a time when China's tech giants and U.S. VCs have poured money into EV start-ups like NIO, Xpeng, Li Auto, WM Motors, Evergrande New Energy Vehicle, Canoo, Polaris, Lucid, Rivian, and others, all racing to develop and manufacture autonomous electric cars.

<sup>20</sup> <https://investors.ff.com/events-and-presentations>

<sup>21</sup> See CNBC interview with Carsten Breitfeld, July 22, 2021: <https://www.youtube.com/watch?v=VAo9le0eB-Q>

<sup>22</sup> See the FFIE PIPE presentation: <https://genesis-cdn.ff.com/Investors/FF-PIPE-Presentation.pdf>



# Chutes and ladders: FFIE is full of trap doors to take money out

Faraday Future had just \$1 million as its bank balance at the end of 2020 and was close to bankruptcy. The company was essentially dormant for almost three years from 2018 after running out of money. The company's balance sheet has shown *de minimis* construction progress, at least between end December 2019 and end June 2021. In the SPAC merger in July 2021, FFIE finally managed to garner nearly \$1 billion of gross proceeds, including \$230 mln of cash in the Property Solutions Acquisition Corp. (PSAC) trust account and a \$761 mln common-stock PIPE.

They used a lot of the money to pay old debts. Immediately on closing, the company disclosed it was to pay out \$144.9 mln in cash and 25.9 mln shares of stock to various creditors. A phenomenal \$92.3 mln cash was also to be paid out for "advisory", banking, printing, legal and accounting services – we thought SPAC and PIPE transactions were meant to be cheap and wonder which "advisors" got so cash-rich feeding at the trough.

FFIE paid \$31.8 mln to related parties, probably Jia - the company states that *"the vast majority of notes payable and equity have been funded by entities controlled or previously controlled by FF's founder and former CEO."*<sup>23</sup>

A grand total of \$642.2 mln of liabilities were dispensed with using stock conversion and raised cash as a result of the SPAC merger and PIPE transactions. The "Transaction Accounting Adjustments" at SPAC merger indicate how many liabilities were erased.

	As of June 30, 2021		As of June 30, 2021
	FF (Historical)	Property Solutions Acquisition Corp. (Historical)	Transaction Accounting Adjustments
			Pro Forma Combined
<b>Total liabilities</b>	<b>922,132</b>	<b>9,567</b>	<b>(642,214)</b>
			<b>289,485</b>

FFIE S-1 page 41

## Feeding at the trough continues

As if the above were not already enough, the company has one of the most egregious earnout agreements we have ever seen. Legacy FF shareholders will receive up to 25 mln FFIE shares, valued at some \$293.9 mln, based on a limited upward movement in FFIE's share price alone. This will be treated as a "deemed dividend." The earnout is not based on operational performance.

Evergrande, in addition to the 20.5% FFIE shares it

already owns, accounts for some 13.3 mln of the 25 mln earnout shares and is likely to be a happy seller when the opportunity arises.

For good measure, there is \$25 mln of purchase orders stuffed into "payables" for orders not yet provided.<sup>24</sup> These are part of the "vendor trust" FFIE established in April 2019 to allow unpaid vendors to swap debt for equity in FFIE.

(96) "Shares being offered" includes 13,337,500 Earnout Shares not currently beneficially owned that Season Smart has the contingent right to receive pursuant to the Merger Agreement. Season Smart is an indirect subsidiary of China Evergrande Group, a Cayman company. China Evergrande Group holds its interest in Season Smart through a chain of entities, and China Evergrande Group's direct and indirect subsidiaries through which it holds interest in Season Smart are New Garland Limited (a British Virgin Islands company) Global Development Limited (a Cayman company), Acelin Global Limited (a British Virgin Islands company), Evergrande Health Industry Holdings Limited (a British Virgin Islands company) and China Evergrande New Energy Vehicle Group Limited (a Hong Kong company) (collectively, the "Evergrande Entities"). Each Evergrande Entity, by reason of its ownership of the voting securities of the subsidiary below it in the ownership structure, has the right to elect or appoint a majority of the members of the governing body of that subsidiary and, therefore, to direct the management and policies of that subsidiary. Mr. Hui Ka Yan ("Mr. Hui") is a controlling shareholder of China Evergrande Group, through his wholly-owned subsidiary, Xin (BVI) Limited (a British Virgin Islands company). Mr. Hui, by reason of his ownership of the voting securities of Xin (BVI) Limited, has the right to elect or appoint the members of the governing body of China Evergrande Group. As a result, each Evergrande Entity, Mr. Hui and Xin (BVI) Limited may be deemed to be the beneficial owner the shares held of record by Season Smart.

23 October 4, 2021 S1/A page 78 <https://investors.ff.com/static-files/46ef9e83-025f-485e-b23a-08b87eb4a9ac>

24 See page F-24

## Seven years of grifting

Hundreds of millions of dollars appear to have been siphoned from the company before the SPAC agreement. We are skeptical that FFIE has actually invested \$2 bln as claimed. FFIE's own statements defending itself in a lawsuit, and our analysis of published financial statements, leave us in doubt.



### Faraday Future: A Differentiated and Compelling Investment Opportunity



— More than \$2 billion invested to date

- Expected launch within twelve months of merger supported by 40+ prototypes and preproduction assets and a robust hybrid manufacturing strategy
- 300+ employees led by CEO Dr. Carsten Breitfeld and a highly experienced management team
- Battery, drivetrain and related technology competitiveness supported by approximately 880 filed or issued utility and design patents and independently validated by EV experts, Roland Berger
- Industry redefining 1050 HP, less than 2.4 seconds 0–60 mph luxury EV with unique truly harmonized Internet, Autonomous Driving Ready<sup>(1)</sup> and Intelligence 3<sup>rd</sup> living space that outperforms Tesla<sup>(2)</sup>

FFIE PIPE presentation page 7<sup>25</sup>

In its own prepared statements defending itself in a lawsuit against a company called Evelozcity filed on January 29, 2018, FFIE said it had invested \$1 bln developing the next generation of AI electric vehicles.

- 4            1.        This is an action for misappropriation of trade secrets relating to FF's  
5 highly advanced artificial intelligence ("AI") electric vehicle technologies.  
6 Founded in May 2014, FF has invested hundreds of thousands of work hours and  
7 over \$1 billion dollars in developing the next generation of AI electric vehicles,  
8 also known as smart mobility ecosystems. These cutting-edge vehicles will target

Source: FFIE lawsuit against Evelozcity, filed January 29, 2018, Complaint page 1, accessed from PACER

Mysteriously, by December 2019, we can see in FFIE's accumulated deficit that the company claims already to have spent in excess of \$2 bln. We think this is unlikely. FFIE is spending less than \$30 mln annually in R&D, has PPE of under \$300 mln, has no significant equity in investees, and only reports no intangible assets outside property and equipment.

25 <https://investors.ff.com/static-files/8a1457ee-8e94-4aa7-920b-0151ca22149c>

## Selected FFIE Financials

USD ,000	2019 (full year)	Q1 2020	H1 2020	2020 (full year)	Q1 2021	H1 2021
<b>Income Statement</b>						
<b>Research and Development</b>	(28,278.0)	(6,962.0)	(4,222.0)	(20,186.0)	(6,721.0)	(8,673.0)
<b>Balance Sheet</b>						
<b>Accumulated Deficit</b>	\$(2,244,100.0)			\$(2,391,100.0)		\$(2,519,439.0)
<b>Property and equipment, net</b>	\$292,526.0			\$293,933.0		\$287,718.0
<b>Accumulated depreciation</b>	\$15,890.0			\$19,067.0		\$20,490.0

Source: Company filings

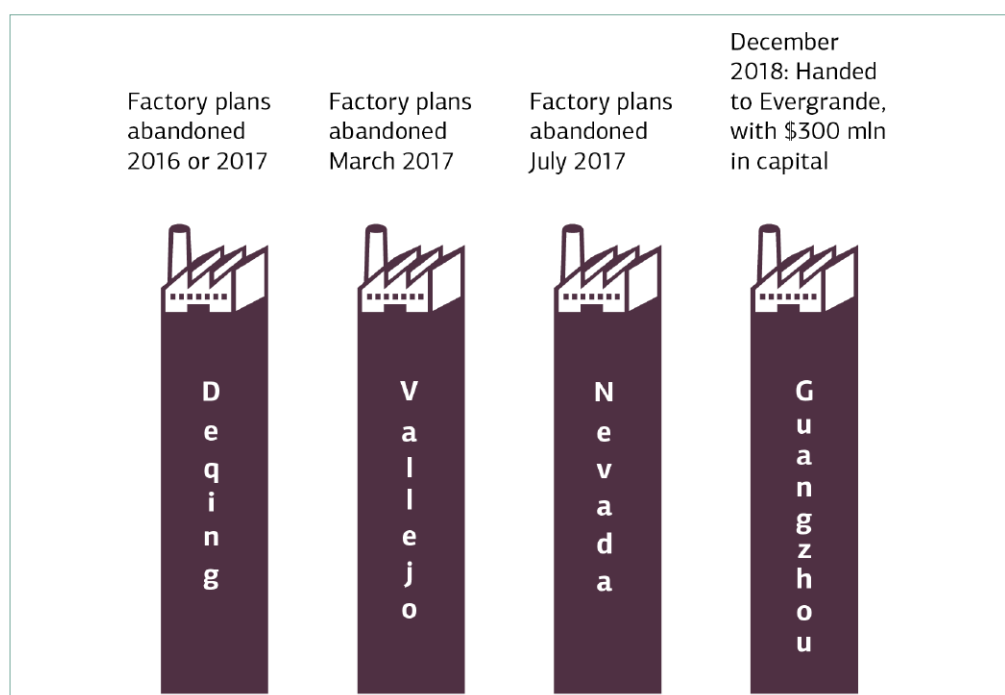
We don't see where they could have spent so much money in 2018. No construction projects were started. Several had been abandoned.

Are the losses that were declared prior to 2019 real? FFIE's filings state that net operating-loss carryforwards historically were \$428 mln in the U.S. and \$134 mln overseas, for a total of \$562 mln. Granted, many losses cannot be claimed on taxes, and some loss carryforwards expire, but this total is very far from the reported \$2.5 bln accumulated deficit and so casts doubt on whether the losses are all real. The actual utilization of these loss carryforwards is also questionable. When it comes to quantifying restrictions by various tax codes, FFIE has vaguely said only, *"The timing and amount of such limitations, if any, has not been determined."*

Company statements that it will cost \$450 mln to bring the Hanford facility to full commercial capacity demonstrate the wide gulf between \$90 mln in funds needed to "start" production and the funds needed to properly complete the facility.

In fact, FFIE's own filings state that the company will need \$1.4 bln more in funding by 2024 to achieve its financial targets.<sup>26</sup> If profitability and cash flow targets are not reached, there could be substantial extra working capital funding added to the \$1.4 bln. This "additional funding" is on top of FFIE's existing cash resources after its recent giant capital raise and liabilities conversion to equity, meaning its existing liquid resources are not even close to being enough, and further dilution is on the horizon. After the company's recent history of defaults, we doubt there will be many willing debt lenders from banks or the bond market. Through direct raises and further converted notes payables, much of the additional funding burden may end up bloating the equity.

**By 2018, several factories had been abandoned.  
Nothing new was started that year.**





# Technology not ready for prime time

Two former FFIE executives we spoke with believed that the FF91 technology is not ready to go into production. They explained that the FF91 design calls for the battery to be submerged in coolant. But very few electrolytic fluids are lightweight enough to be usable. The one or two that are both lightweight and inflammable are too expensive to be practical. Because of prohibitive cost, our interviewees said, the design calls for a different coolant, which is flammable. That is dangerous.

Moreover, our interviewees told us that the batteries they had developed consistently leaked. “If I were going to buy one of those vehicles,” said one, “my assumption is that the battery pack will be recalled in 18-20 months, because the battery pack will leak.”

This creates a very dangerous situation. “The problem is, the liquid is flammable, so if you have a battery go into thermal runaway, the battery will vent some of its hot gases...when the battery vents, it creates a gas pocket, and you have an explosive flashover situation,” one engineer told us. “We were still making huge changes to the battery pack” when this executive left in 2019, “because the performance wasn’t ready for the field yet.”

We spoke with an automotive expert who described this as “the old Pinto exploding gas tank on steroids.”

“Just one incident and they would be out of business,” he said.

The battery issues are not the only ones that could hold back the FF-91. Another former executive said: “As they start to enter production, I would keep an eye out for durability issues and struggles to get parts from suppliers.”

“The vehicle isn’t genuinely ready,” said one of the executives. “When they laid everyone off [in late 2018], they were in gamma. ... They weren’t at

pre-production yet.”

We think parts supply could be slow. We interviewed the head of an automotive association in China who told us that Chinese parts suppliers would not deal with FFIE. U.S. formers said the same about U.S. suppliers. “No one will take their business without getting paid up front,” said a former executive.

Another problem for FFIE is trying to find qualified staff. Back in 2015-17, when Faraday was designing its car, there were few EV companies and not much competition for talent. Now that picture has changed completely.

“The staffing levels are way below what they need to be,” said a former executive who keeps in touch with the company. He said they need 1,200-1,500 engineers on staff.

“I haven’t seen very much movement in terms of hiring good people,” said another former executive. . it’s really a different competitive environment, and the talent pool is cold...”

“Very few people stayed when they company was in shutdown,” said one former. “All the engineering tools and software were pulled for non-payment, so you had people sitting around twiddling their thumbs.” He said that a lack of good documentation within the company means that new engineers have to “reinvent the wheel.”

FFIE likes to tout its relationship with Geely Automobile (0175 HK). Geely put \$50 mln in the FFIE PIPE. But the S-1/A published on October 4 discloses that FFIE has now paid Geely \$50 mln to use one of their production “platforms,” so Geely gets back its original PIPE payment. Geely was also an investor in a JV with Kandi Technologies (KNDI), whose China EV sales collapsed while the rest of China EV sales were booming.

# Failure to disclose closure of Beijing company

FFIE has neglected to mention in its prospectus that its Beijing company's shares have been impounded by a court. We checked with an attorney in China. Impoundment means that the company's bank accounts are frozen and it may not operate. A recent commentary by a Chinese attorney agrees. Zhu Huiliang, a partner with Beijing Yingke Law, wrote in 2020 that the courts have the right to freeze bank accounts when the company's legal person has failed to perform contractual obligations.<sup>27</sup>

## Hong Kong arbitrator's decision, October 2018

44. In early July 2017, it was announced that the Shanghai High People's Court had frozen US\$182 million in assets associated with Mr Jia after one of LeEco's affiliates missed its loan payments.<sup>3</sup> In December 2017, because the outstanding debt issues had not been resolved, further assets were seized, and Mr Jia was placed on a China's judgment debtors blacklist and ordered to return to China from the U.S. to satisfy LeEco's debts. As a consequence of Mr Jia's status on China's judgment debtor list, the Chinese Government also froze the foreign exchange accounts in China of Faraday's China operations.

## Jia's debt announcement, October 2019

6. After the successful completion of his individual restructuring, YT will have transferred all his personal assets and related economic rights recognized by the court in the United States to creditors and his personal guarantee and debt obligations will be deemed to be satisfied and discharged. It is anticipated that he can go back to China and push forward and implement FF's dual home market strategy. This brings great impetus to FF's capital raising efforts and planned future IPO, and it is particularly significant for the rapid progress of FF's China business.

## Frozen Faraday assets, November 2019

Explanation of freezing			
冻结情况	Court: Beijing Chaoyang District Court 北京市朝阳区人民法院		
执行法院	北京市朝阳区人民法院	执行事项	-
执行裁定书文号	(2019)京0105执35413号 Judgment number	执行通知书文号	-
被执行人	乐视汽车(北京)有限公司 LeSee Automotive (Beijing) Co., Ltd.	被执行人持有股权、其它投资权益的数额	-
被执行人证件类型	企业法人营业执照(非公司)	被执行人证件号码	110105017617561 ID number of the company
冻结期限自	2019-11-13	Date that shares were frozen: Nov 13, 2019	冻结期限至
冻结期限	1095天	Period of freeze: 1,095 days, to Nov. 12, 2022	公示日期

Source: Jus Mundi, FF.com, and Qixin data service

# String of onshore and offshore defaults

FFIE is being sued by dozens of suppliers for non-payment in both the U.S. and China--and by the company's own former legal counsel. In China alone, FFIE most recently reported "FF's China subsidiaries are involved in 86 proceedings or disputes in China."

- LeSee Beijing, a wholly owned subsidiary of FFIE in China, has defaulted on ¥30 mln in payments, according to a Beijing court, and has been judged a "defaulter."

乐视网汽车(北京)有限公司 LeSee Automotive (Beijing) Co., Ltd.			
电话: 010-50963477 更多(7) 同电话企业(14) 邮箱: maxachan@le.com			
被执行人 2	失信被执行人	失信被执行人	Judgment debtor
执行总金额(元): 30,000,000			Judgment amount: ¥30 mln
序号	立案时间	案号	执行标的
1	2021-07-12	(2021)京0105执28951号	18500000
2	2021-07-12	(2021)京0105执28952号	11500000
来源: 中国执行信息公开网			
失信被执行 2	失信被执行人	失信被执行人	失信情形
序号	案号	执行法院	履行情况
1	(2019)京0105执1790号	北京市朝阳区人民法院	全部未履行
2	(2019)京0105执1791号	北京市朝阳区人民法院	全部未履行
立案时间			
1	2019-01-16		详情
2	2019-01-16		详情
Judgment defaulter, Beijing Chaoyang District People's Court, January 1, 2019. Debtor has the ability but refuses to provide legal documentation			

Source: Qixin information service, J Capital translation

27 See Chinese language commentary: <https://www.66law.cn/laws/463592.aspx>

Record of Loss of Credit and Restrictions on Spending				
LeSee Automotive (Beijing) Co., Ltd. LeSee Automotive (China) Co. Ltd. 限制高消费 共2家关联企业、6条关联信息				
序号	关联企业	与当前企业关系	案件数量	详情
1	乐视汽车（北京）有限公司	当前查询企业的股东，持股100.00%	5	<a href="#">详情</a>
2	法拉汽车（中国）有限公司	当前查询企业的股东，持股99.00%	1	<a href="#">详情</a>

- ▶ In 2020, Michigan-based Schwab Industries Inc. sued Faraday&Future (precursor to FFIE) to obtain enforcement of an arbitration agreement requiring Faraday to pay more than \$2 mln in unpaid fees for an engineering services contract. Also in 2020, Gentex Corp. filed a debt-collection lawsuit and won a default judgment.<sup>28</sup>

Many of the lawsuits are for relatively small amounts.

- ▶ Shanghai Shuangchang Environmental Protection Technology Co., Ltd. has sued FFIE in China for a mere ¥1 mln (\$154,000) in unpaid fees and had to apply to a court in 2020 for enforcement.

- ▶ FFIE engaged a construction company but defaulted on ¥6.5 mln for the project. The service provider, Shanghai Greenland, won an arbitration award in August 2019 that FFIE has as yet failed to make good on.

- ▶ Other lawsuits include Chinese EV technology companies called Hasco Group, Ebusbar in Shenzhen, and East UPS, listed in Shenzhen as 300376.



# The past failures of Jia Yueting, fugitive from the law

Many US investors are already cynical about Chinese companies and their management, due to well-documented disasters. This speaks volumes about the risks when one of the main management team is being prosecuted in China and is on the run. Jia previously raised money for his LeEco company under false pretenses and diverted investor cash. The FFIE documents tell us that in black and white, in the Risk Factors section of the prospectus:

Our Founder Yueting Jia is closely associated with the image and brand of Faraday Future. Circumstances affecting Mr. Jia's reputation, and investor and public perception of his role and influence in the company, may shape Faraday Future's brand and ability to do business. In particular, in 2020, Mr. Jia was determined by the Shenzhen Stock Exchange of China to be unsuitable for a position as director, supervisor or executive officer of public listed companies in China as a result of violation by a public company founded and controlled by Mr. Jia in China of several listing rules of Shenzhen Stock Exchange, including illegal provision of funding and guarantees of by the company to other affiliated companies founded by Mr. Jia, discrepancies in the company's forecast and financials, and improper use of proceeds in from company's public offering. While Mr. Jia completed his a Chapter 11 restructuring plan with respect to his personal debts and debt claims in June 2020, he remains on China's "debtor blacklist" and there is no assurance that such negative publicity, although not directly related to FF, would not adversely affect our business, prospects, brand, financial condition and results of operations.

31

Not only has he purloined shareholder cash in previous companies, but he raised hundreds of millions from individuals in China by promising high returns in "wealth management products"—packaged loan derivatives--online. It is unclear whether investors were repaid, but the New York Times reported in 2017 Jia's company put potted plants in the lobby to keep angry investors from staging sit-ins.<sup>30</sup>

Jia is now a fugitive from justice. He fled China for the United States in 2017 to escape what would have been certain detention for unpaid debts. According to a bankruptcy petition in Delaware in 2019, Jia's most serious troubles began in 2017, when China Merchant Bank sought ¥30 mln in interest payments from LeEco and froze Jia and LeEco's assets when the payment was not made.<sup>32</sup>



A protest by unpaid investors at LeEco headquarters in 2017. Photo by Sina.<sup>33</sup>

29 Prospectus page 55 <https://investors.ff.com/static-files/7ecd3cc1-e0a5-4567-b415-51a14a163cf4>

30 "Here's How a Chinese Tech Firm Borrowed \$2.1 Billion in a Hurry," Ryan Mcmorrow, The New York Times, June 3, 2017, <https://www.nytimes.com/2017/06/03/business/dealbook/china-finance-leeco-debt-shadow-banking.html>

31 <http://tech.sina.com.cn/csj/2017-07-26/doc-ifyihrmf3455040.shtml>

32 <https://reorg.com/filing-alert-faraday-futures-ceo-yueting-jia-files-for-chapter-11-in-delaware-pursuing-prepackaged-plan-exchange-offer/>

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Jia's liabilities are enormous, and we don't doubt that he is using FFIE as a piggy bank.

- ▶ Beijing's Third Intermediate Court issued a decision requiring immediate payment of ¥1.4 bln.<sup>33</sup>
- ▶ Jia has been fined ¥480 mln by Shenzhen stock market regulators for "financial fraud" and is now being sued both by a group of institutional Chinese creditors and by individual investors in his flagship company, Leshi Internet.
- ▶ Leshi has been delisted and is now having its assets auctioned for ¥16 mln, according to a July 4, 2021 public notice.<sup>34</sup>
- ▶ Jia has been banned for life from serving as a board member or senior officer of any public company in China. Jia has repeatedly been designated by Chinese courts and regulatory bodies as a "Dishonest Person Subject to Legal Enforcement."

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33 <https://www.163.com/money/article/GES3MFKG00259DLP.html>

34 乐视网信息技术（北京）股份有限公司 关于公司涉及诉讼（仲裁）事项的后续执行情况公告

# Jia's continuing control



Jia Yueting joins CEO Carsten Breitfeld July 22, 2021 as FF celebrates its first day as a public company trading on Nasdaq under the ticker symbol FFIE (Photo: Business Wire)

FFIE boosters like to say that Jia's influence has been minimized. He actually retains significant control. Here are some of the ways in which he pulls the strings:

- ▶ He received as many as 20 mln shares on conversion of about 144 mln Class A-1 and Class A-2 shares in the SPAC merger. The shares are technically owned by a company over which a committee has voting rights and have not been declared as belonging to Jia.
- ▶ He holds the title "Partner, Chief Product & User Ecosystem Officer," suggesting significant influence over product design despite having no experience in automotive design.
- ▶ Jia is one of nine executives who manage FFIE globally. His nephew, Wang Jiawei, is another.
- ▶ Wang is the managing partner of FF Global, the vehicle that ultimately controls 29.1% of the equity of FFIE.
- ▶ Jia Chentao, reputedly Jia's cousin, is the legal representative of FF Automotive (Zhuhai) Co. Ltd., the company with \$250 mln in registered capital, meaning he controls spending, budgeting, and reporting.<sup>35</sup> Jia Chentao is also a director of LeSEE Automotive (Zhejiang) Co., Ltd., the empty company into which FFIE invested \$154 mln.
- ▶ Jia Yueting has interests in at least 130 companies in China, according to government records. The Qixin and Qichacha databases, which gather information from China's Administration of

35 [https://www.sohu.com/a/439598097\\_189130](https://www.sohu.com/a/439598097_189130)



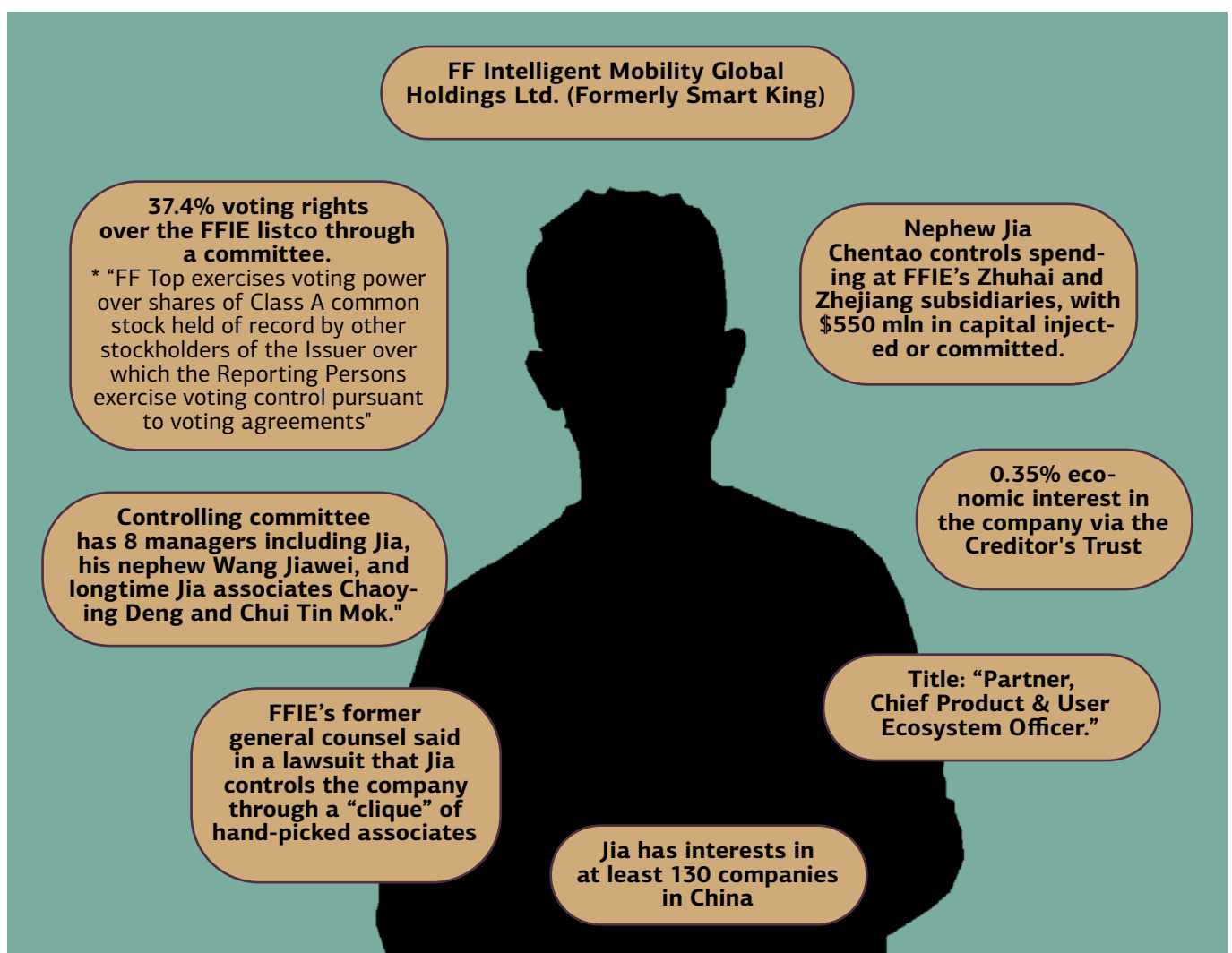
Industry and Commerce, show positions as director, executive, or shareholder of 130 companies, indicating that Jia could control transactions in some of these companies and, through them, FFIE spending in China.

- In his lawsuit against FFIE, former General Counsel Hong Liu says that Jia controlled the company regardless of legal commitments. He named Chaoying Deng, a former top executive and board member of Faraday, as part of a Jia “clique.”<sup>36</sup>

4. Mr. Liu did not know that Mr. Jia, Mr. Wang and Ms. Deng were engaged in fraud. Nor did he know that Mr. Jia, Mr. Wang and Ms. Deng had no intention of permitting Mr. Liu to act as a bona fide general counsel *ie.* as a general counsel that ensured compliance with applicable law. Indeed, as Mr. Liu learned first hand, Faraday is tightly and secretly controlled by Mr. Jia and his clique including Mr. Wang (who is Mr. Jia’s nephew) and Ms. Deng. No outsiders are permitted to have any real decision making authority, regardless of their expertise.

Hong Liu v. Faraday&Future Inc., Smart King Ltd., Jiawei Wang, and Chaoying Deng, filed January 3, 2020 in the Southern District of New York, page 2

## Jia’s Many Forms of Control



Source: Company filings, J Capital<sup>38</sup>

He still speaks for the company. On September 27, Jia said, “Our priority is to deliver the FF91 to the hands of our global users, disrupt traditional ultra-luxury brands like Maybach, Ferrari, and Bentley, and become No.1 in the global ultra-luxury user segment.”

36 See company presentation: <https://www.rmgacquisition.com/static-files/f46dbbd1-0c52-4633-9827-1e25b196e74f>



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## Leshi, once hailed as 'China's Netflix', and founder Jia Yueting hit with fines worth US\$73.6 million in China for financial fraud

- Leshi is fined 240.6 million yuan, and Jia is fined 241 million yuan for falsifying earnings, misreporting facts in IPO documents
- Fines come after Jia's EV start-up FF, which has merged with a blank-cheque company, attempts to raise money in US

South China Morning Post, April 13, 2021<sup>39</sup>

Jia's troubles in China are far from over.

The company in 2019 brought in a new CEO, Carsten Breitfeld. Breitfeld was co-founder of the China-based EV company Byton in 2016, which attracted investment from Tencent, Foxconn, and China's great-grandfather of auto manufacturing, First Auto Works (FAW). Byton reportedly collateralized its Nanjing factory in return for capital from FAW. The company suspended production in 2020, leaving a trail of debt, including unpaid salaries.<sup>38</sup>

Following the embarrassment at Byton, Breitfeld took the helm at Iconiq, another Chinese EV failure that raised and squandered money.<sup>39</sup> He conveniently omitted this from his official bio in the SPAC prospectus.

### Patents—another way to embezzle

FFIE loudly touts its portfolio of patents in its investor presentations.<sup>40</sup> While the company did seem to have developed good technology several years ago, our review of patent registrations in the U.S. and China shows that FFIE patents:

- ▶ Seem designed to move money into Jia's old company, LeEco.
- ▶ Are weighted toward trivial, audio-visual technologies more appropriate to a mobile phone than to a car.
- ▶ Are for outdated technologies

As of the company's last disclosure, just over two-thirds of FFIE's granted patents were issued in

China. We have found that several patents owned by FFIE were registered by one of Jia's companies, LeTV. For example, the patent for "Vehicle early warning method and device" was jointly filed in 2017 by FFIE and LeTV Holding, Jia's Shenzhen-listed company.



Source: Google Patents<sup>43</sup>

The "Vehicle driving monitoring method and device" is similarly shared. In total, there are 28 such patent registrations.

This steering wheel from a patent filed in 2016 is branded "LeEco."



Source: Google Patents<sup>44</sup> and Gizmo China<sup>45</sup>

37 <https://www.scmp.com/business/china-business/article/3129326/leshi-once-hailed-chinas-netflix-and-founder-jia-yueting>

38 <https://www.reuters.com/article/china-byton-electric/chinese-ev-startup-byton-to-suspend-production-from-july-1-for-reorganisation-idUSL4N2E728G>

39 <https://insideevs.com/news/345805/byton-co-founder-breitfeld-departs-for-iconiq-motors/>

40 See, for example, <https://investors.ff.com/static-files/8a1457ee-8e94-4aa7-920b-0151ca22149c>

41 <https://patents.google.com/patent/CN105957403A/en?q=%22faraday%22&assignee=%22LeTv+Holding%22&oq=%22LeTv+Holding%22+%22faraday%22>

42 <https://patents.google.com/patent/US10569799B2/en?assignee=Faraday%26Future&oq=Faraday%26Future&page=1>

43 <https://www.gizmochina.com/product/le-pro-3/>

We think the actual work was done by LeEco and that Faraday paid LeEco for patents subsequently written down, but there is no financial information before 2019 so we cannot know. The great majority of patents were registered in 2015-16, just a few months after FFIE companies were capitalized. It is hard to find any technological activity at FFIE after 2017.

A former R&D executive of FFIE told us that significant research was conducted in Beijing, so we visited offices of FFIE's four subsidiaries in Beijing. In total, there were 10 employees. Two subsidiaries, LeSee Automotive (Beijing) Co., Ltd. and LeSEE Auto Technology (Beijing) Co., Ltd., both closed, are housed in a building belonging to Jia's heavily



Office building at 105 Taojiayuan Road housing FFIE's principal subsidiary in Beijing, LeSEE Automotive (Beijing) Co., Ltd., and that company's subsidiary LeSEE Auto Technology (Beijing) Co., Ltd. Security guards would not allow us to visit the eighth and ninth floors, where the companies are registered. Photo by J Capital August 2021

indebted Chinese company LeTV.

“I still don't know why they were trying to set up a whole parallel structure in China.,” said a former

executive. Formers we spoke with said that Chinese and U.S. funds were “comingled,” with the U.S. company performing services for Jia's companies in China and vice versa.

### The Yueting Mobile

Many of the patents are for audio-visual technologies that LeEco specialized in. Typical patents are for “a three-dimensional image-processing method” (patent CN201611046880.1, not yet issued), a “Wi-fi system setting and installation method” (patent CN201611050566.0, not yet issued), or “Graphical user interface for display devices.”

Former executives agreed that the car as originally designed is inappropriate for the U.S. market. It was designed for Jia Yueting to ride around in with his friends, they said.

“Most of the employees referred to it as the Yueting Mobile. . . I don't think it will sell well in the U.S.—there's just so much packed into it.”

Designers complained about the focus on infotainment. The car as designed has 45 screens and a champagne chiller. Those things place huge demands on the battery.

“You get trapped in an endless loop,” said one of the former executives, “where everyone keeps redesigning.” More power requirements require a bigger battery, which leads to more weight, which adds to the power requirements.

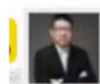
### Technology has been sitting on the shelf for four years

The great majority of patent applications by Faraday&Future shown on Google Patents and Patsnap were made in 2015 and 2016.<sup>44</sup> We could not find any applications made after 2018. FFIE formers told us they believed that many of the technologies were cutting-edge in 2018 but that the EV world has moved on, and FFIE has not.

44 Patsnap: <https://analytics.zhihuiya.com/patent-view/abst?patentId=28452d78-0d07-472d-8d1b-b3a8bf4b805d> Google Patents: <https://patents.google.com/?assignee=faraday%26future&oq=faraday%26future&page=3>



Tencent co-founder Zeng Liqing has publicly called, one of Jia's companies, LeTV, a "Ponzi scheme" and said that anyone who cannot see that "shouldn't be in the investment world."



曾李青

请微信朋友圈里发表过对乐视对贾跃亭好感的  
朋友，自己主动拉黑本帝君，无需本帝君自己  
动手啦。对这么明显的庞式骗局都不能看出来的，  
不配在投资圈混，也不合适创业，更不合适存在  
本帝君朋友圈里。所有买过乐视股票的基金经理、  
参与乐视其他项目投资的投资机构的投资经理，  
你们在这个行业的生涯估计也险了，就像以前投  
资过那个臭名昭著的ITAT的人，全部在行业内消  
失了，因为你不是智商有问题就是职业操守有问题。

“If you don't see through such an obvious Ponzi scheme, you shouldn't be in the investment world and are unfit to be an entrepreneur, even more to be in this respected circle of friends.”

Zeng Liqing, Tencent co-founder

Source: Bilibili July 17, 2017<sup>47</sup>

We couldn't agree more.

45 <https://www.bilibili.com/video/BV18x411B7cU/>

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