

Faraday Future launches investigation into financial fraud allegations

Faraday Future is launching an investigation into recent allegations of financial fraud at the startup, including claims from a recent short-seller report by J Capital. The EV startup's board of directors has formed a "special committee of independent directors," which has hired a law firm to perform the investigation.

J Capital had accused Faraday Future of lying about the number of reservations it had collected for its ultra-expensive electric SUV, the FF91. It also accused Faraday Future's founder Jia Yueting of unfairly benefitting from the startup's recent public listing, which it accomplished after merging with a special purpose acquisition company.

"Faraday Future seeks to do business in the most ethical and transparent way," the company said in a press release. "As a new public company, the Board, as part of its review, is seeking to ensure that the Company is adhering to the highest standards of conduct."

The startup revealed the investigation Monday in a filing with the Securities and Exchange Commission. Faraday Future alerted the agency that it was not able to file its full financial results for the third quarter of 2021 on time due to the investigation. The startup did share that it lost \$280 million in the third quarter, though, and reaffirmed its goal to deliver the first FF91s in July 2022.

"The investigation is ongoing, and the Special Committee

continues to work diligently with outside counsel and advisors to complete the investigation as soon as possible,” Faraday Future wrote in the filing. “The Company cannot predict the duration of the investigation, eventual scope, its outcome, or its impact on the Company’s financial results.”

The startup did not name the independent directors on the committee, or the outside law firm.

Faraday Future is the latest EV startup to face allegations of financial fraud by a research firm with a short position – meaning the firm stands to make money if the startup’s stock price falls. Hindenburg Research released reports on Nikola and Lordstown Motors, and both of those startups wound up facing government investigations. (Nikola’s founder and former CEO was indicted as a result.) EV startup Workhorse is also under investigation after a short-seller report was published accusing it of fraud.

<https://www.theverge.com/2021/11/15/22784038/faraday-future-fraud-investigation-j-capital-short-seller>