Faraday Future starts construction at its California factory while paying back some debts

Struggling EV startup Faraday Future has started demolition and construction at its Hanford, California factory and is gearing up to start production of its luxury electric SUV, according to a new video being published today.

It's one of the clearest (and only) public signs the company has given in recent months about where it stands as it continues to head toward its goal of rolling the first production versions of its car, the FF91, off the line by the end of this year.

The startup carmaker narrowly escaped financial death at the end of 2017, receiving an 11th-hour investment from an unnamed group in Hong Kong. Flush with about $550 million of what could eventually be around $1.5 billion, the company has been paying back some of its debts, and is now pushing forward with plans to make the FF91 at the Hanford facility.

The company has purchased all of the long lead-time equipment it needs to enter production, and will start installing what's needed to manufacture preproduction versions of the FF91 on May 9th, according to a person within the company. If all goes well, Faraday Future hopes to roll out the first preproduction car by the end of August, with an eye still on the goal of getting a production car out the door by the end of the year.

This is all no longer taking place in Las Vegas, as was

originally planned. Faraday Future scrapped its effort to build a $1 billion manufacturing plant last summer amid its dire cash crunch, and is instead leasing an old Pirelli tire factory in Hanford. Until the demolition, the “new” facility had largely remained untouched since Faraday Future signed the lease last August.

It’s quite the surprise, considering the position Faraday Future was in late last year. Starting in the summer, a string of executives, including some who had been around since the company’s earliest days, resigned. Then, in November, the former BMW and Deutsche Bank executive who had been brought in to help straighten out the company’s finances also left after repeatedly butting heads with Jia Yueting, Faraday Future’s founder and current CEO.

The executive, Stefan Krause, had taken major steps as CFO to cut down the company’s spending. He axed Faraday Future’s motorsports program, stopped a product placement deal with the *Transformers* movie franchise, and pulled LeEco out of its deal to develop an EV with Aston Martin, multiple former employees told *The Verge* at the time. (LeEco was also founded by Jia. Faraday Future and LeEco have long maintained that the companies are separate, but an investigation by *The Verge* revealed that Faraday Future is run more like a subsidiary of the Chinese tech conglomerate.)

Krause was also behind putting up the company’s Los Angeles headquarters as collateral to secure a $14 million “rescue loan” last year. Amid all these moves, he was also preparing the company for Chapter 11 bankruptcy, an idea that enraged Jia according to multiple former employees at the time. The result was that, after Krause walked away from the company, Jia released a statement alleging that he (and CTO Ulrich Kranz, who worked closely with Krause and also resigned) had been fired because of “malfeasance and dereliction of duty” while on the job.

The company has paid off its $14 million "rescue loan," among other debts

As the dust was settling in December, Jia held an all-hands meeting where he announced that he was taking over as CEO, filling a role that had ostensibly been empty since the company was founded. He also announced that the company received an investment of around $1 billion.

That figure later turned out to be closer to $1.5 billion, according to *Business Insider*, though Faraday has received less than half so far as the full amount is tied to certain production milestones. Still, it's enough for the company to set its sights back on producing a luxury EV.

The money has also helped the company make some amends. Faraday Future has paid back the $14 million rescue loan, according to documents obtained by *The Verge*. The company has also paid back part of the debt owed to some of its suppliers, according to sources familiar with the matter, and the company recently held a "supplier summit" where it met with many of these companies face to face. Faraday Future is also continuing to promote and give raises to employees who are thinking about leaving, according to multiple people still inside the company.

Faraday Future has also renewed its sights on selling its cars in China, with Jia saying at the supplier summit that the company wants to pursue a "dual-home market" strategy. The company's split personality between its western and Chinese ambitions has long caused tension inside the company, with signs of a rift showing as recently as January. But with Jia now firmly in control, the company no longer seems as hyper-focused on the American market.

Jia is still in hot water with both creditors and the government in China, so it's unclear how he would approach entering what is the largest EV market in the world right now. He could have just been referring to LeEco's EV effort, LeSee.

Faraday Future shares intellectual property and employees with LeSee, and *The Verge* learned late last year that the Chinese car was at one point even going to be produced at Faraday's factory. Either way, Jia's nephew, who is also now the company's controlling shareholder, has been back in China and Hong Kong working out deals, according to two sources with direct knowledge of the situation.

Faraday Future promised its factory would bring more than 1,000 jobs to Hanford, California

Whatever happens in China, Faraday Future finally appears ready to pursue production of its expensive, but ludicrously fast EV in California. Meanwhile, the city of Hanford has been waiting. The Pirelli plant had been largely dormant for over 15 years, and Faraday Future promised north of 1,000 jobs once the factory is up and running. "I don't think anybody envisioned that it would just be smooth sailing, you know, unicorns and rainbows," city manager Darrel Pyle told *The Verge* late last year. "We look at our role as a role of support in bringing the business venture to fruition."

But as Faraday Future tries to get back on track, it's still dealing with plenty of issues from its past. A lawsuit with Krause's new company is ongoing, and another one involving allegations of sexual harassment is scheduled for trial in December. And some suppliers still haven't been paid. One subcontractor who spoke to *The Verge* was part of a contract worth millions of dollars that dates back to late 2016. But this person says not one invoice was paid. "The part that pisses me off is that Faraday continues to hire people, and hire vendors, knowing full well that they haven't paid past vendors," this person said. "If they go belly up, and chances are they're gonna, then we don't get anything."

https://www.theverge.com/2018/3/21/17148402/faraday-future-construction-hanford-factory-production-debt