

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Report from Faraday&Future Inc. on Status of Project
Pursuant to Resolution Number 18-SM008***

May 21, 2019

Prepared By: *Xee Moua, Analyst*

SUMMARY

On April 17, 2018, the CAEATFA Board approved resolution 18-SM008 for Faraday&Future Inc.'s ("Faraday") purchase of up to \$239,234,449 in Qualified Property to upgrade its existing facilities in Compton and Gardena to facilitate research, design, and prototype testing of its first high-performance electric vehicle, the FF91, and to construct a new facility in Hanford that will manufacture its electric vehicles. The resolution required Faraday to update the CAEATFA Board in writing and in person every six months for up to three years with regards to the following:

1. Any significant developments in the status of the Project;
2. Progress in meeting its production goals; and
3. Any other matters the Executive Director shall deem appropriate.

As a requirement of the resolution, the first written report was due three weeks before the October 17, 2018 Board meeting, and subsequent written reports are due along with the semi-annual reports required under Sections 3(A) of the Master Regulatory Agreement. The first in-person report took place at the October 17, 2018 Board meeting, and subsequent in-person reports will take place at subsequent February and September Board meetings. The term of the additional reports will be for the shorter of three years after Board approval or until the Executive Director deems necessary.

Faraday attended the CAEATFA Board meeting on October 17, 2018 as required and provided its first report. Faraday reported that it was experiencing challenges involving financing for the Project and would provide further updates to their progress during the February reporting period.

Due in part to the non-standardized request of mandated reporting, an increase in CAEATFA Staff ("Staff") workload coupled with reduced staffing resources, and adjustment to the new requirements, Faraday did not report in February as required. Staff has since developed new tools and controls to ensure Faraday will report every six months. Additionally, Faraday has represented to Staff that it has secured financing for the Project, and has been successful in restructuring and obtaining qualified employees, enabling it to better self-monitor its compliance with CAEATFA reporting requirements.

Attached is Faraday's second written report pursuant its resolution. The Applicant is required to provide its third report at the CAEATFA Board meeting to be held on September 17, 2019.



CAEATFA STE Project Status Update: Faraday&Future Inc. – May 2019

1. FF 91 Production Update
 - a. On August 28, 2018, the first pre-production FF 91 model rolled off the line at our manufacturing facility in Hanford, CA
 - b. Currently, multiple pre-production vehicles are undergoing vigorous testing and validation processes with the goal to begin full production of the FF 91 in early 2020.
 - c. The company currently employs over 350 people in the Los Angeles area. In addition, there are over 20 employees working in our San Jose office.

2. Hanford Manufacturing Facility Update
 - a. The Hanford manufacturing facility covers more than 1 million square feet and will have a maximum production capacity of 10,000 vehicles in 2020. We intend to expand to 2 million square feet and maximum production capacity of 65,000 vehicles in 2021.
 - b. The facility currently has 5 active employees. With continued construction expected to commence this summer and pre-production activities by Q4 2019, we expect headcount to reach approximately 30 by December 2019. In 2020, we are projected to employ over 100 individuals.
 - c. We intend to invest over \$600M in the Hanford manufacturing facility with targeted “production readiness” in Q2 of 2020. Full manufacturing throughput and hiring should require an additional 4 to 6 months.
 - d. Since executing our agreement with CAEATFA, we have purchased more \$150 million of qualified property which represents well over 60 percent of the CAEATFA STE allocated to us roughly one year ago.

3. Financial Update
 - a. In connection with our previously announced restructuring, FF has resolved all previous disputes among our major shareholders, positioning the company for substantial capital raising during 2019.
 - b. On March 24, 2019, the company signed a joint venture agreement with The9 Limited. Pursuant to this agreement, The9 will make capital contributions of up to \$600 million in three equal installments to the joint venture.
 - c. On April 29, 2019, the company announced an agreement that establishes up to \$225 million of bridge financing led by Birch Lake Fund Management, LP. This consists of senior secured financing of \$75 million and a vendor trust of up to \$150 million.
 - d. Concurrent with the bridge financing announcement, the company commenced a \$1.25 billion equity capital raise supported by Stifel Nicolaus & Co, expected to close in 2019
 - e. The company, working in conjunction with Houlihan Lokey, our independent valuation advisor, has determined the value of our technology inclusive of intellectual property at up to \$1.25 billion.