

# “A mirage:” EV startup Lordstown Motors faked preorders and is years away from production launch, according to short seller’s report

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Electric vehicle start-up Lordstown Motors misled the public and its investors, fraudulently inflating demand and concealing production setbacks, according to a report published earlier this month by Hindenburg Research, an investment research and short-selling firm. Hindenburg disclosed that it had taken a short-sale position on Lordstown, meaning that it stands to profit from the decline of Lordstown’s share value.

Although Lordstown has sought to downplay the report and defend its demand and launch date projections, it admitted that the Securities and Exchange Commission (SEC) regulatory agency has asked for information related to the allegations, sending the company’s stock price tumbling. At least three lawsuits have also been filed by shareholders against the company, according to the Detroit Bureau, one of which is seeking class action status.

Hindenburg’s detailed report, titled, “**The Lordstown Motors Mirage: Fake Orders, Undisclosed Production Hurdles, And A Prototype Inferno**,” draws from interviews and documents given by former employees and prospective customers of the company. What emerges is an image of a “Potemkin village,” a largely hollow construct behind the media façade, and an enterprise which is scrambling after the significant amounts of money to be made in the speculative mania gripping stock markets.

Among the most significant allegations:

- Despite repeated claims by Lordstown Motors executives that they had “pre-sold” 100,000 orders of its commercial electric pickup, the Endurance, these “preorders” were “largely fictitious” and a “prop to raise capital and confer legitimacy,” Hindenburg said. What were called preorders were based on nonbinding letters of intent, not requiring any deposit and not legally committing the signer to any future purchase.

- A number of the preorder agreements trumpeted by Lordstown Motors in press releases were to startups or other organizations which seem unlikely to ever follow through with purchases. In the most glaring example, 14,000 pickups were “preordered” by E Squared Energy, a deal valued around \$735 million were it to be consummated. E Squared, however, is a two-person enterprise run out of an apartment in Texas which doesn’t actually operate a truck fleet.

“All told, we found zero binding orders or genuine signs of commitment in Lordstown’s order book,” Hindenburg stated.

- Lordstown Motors initially said it would launch its pickup in late 2020, which it has since pushed back to September 2021, but in reality remains years away from production, according to an unnamed former employee interviewed by Hindenburg.

- The company continues to make extensive modifications to its

designs, such as switching from a plastic to an aluminum exterior in January, and has yet to conduct cold weather, “million mile” durability, or state-required safety testing. While Lordstown Motors has said that it will assemble battery packs on a line inside the plant, the packs are still being hand-assembled, a former employee said.

- In mid-January, a prototype driven less than a mile during a road test in Michigan burst into flames, which was not publicly revealed until February 10. In an indication of potential insider trading, executives and directors for the company sold nearly \$9 million in stock during that time.

Lordstown Motors gained prominence following General Motors’ closure of multiple factories in 2019, including its Lordstown Assembly Plant in northeastern Ohio, which Lordstown (the company) agreed to purchase from GM in May 2019. GM loaned Lordstown Motors roughly \$40 million to acquire the plant as part of the agreement. Just last month, GM had announced that it would be investing \$75 million in the company, which included \$25 million in cash, on top of the forgiveness of outstanding loans and accumulated interest.

In October 2020, Lordstown Motors merged with a special purpose acquisition company (SPAC), DiamondPeak Holdings, acquiring a nominal valuation of \$1.6 billion, even though it had never sold or mass produced a single vehicle. SPACs, also known as “blank check” companies, are set up for the purpose of acquiring a firm and taking it public, avoiding the more rigorous scrutiny and regulations of an initial public offering. SPAC activity, particularly among EV startups, has skyrocketed over the last year, provoking nervous commentary in the financial press over the actual viability of many of the enterprises.

Lordstown Motors was founded by CEO Steve Burns, formerly CEO of the EV startup Workhorse Group, which had initially been reported to be the expected buyer of the plant. Hindenburg’s report also includes interviews with unnamed former senior employees who described Burns as a “con man” and “PT Barnum” figure (after the notorious American showman and circus founder), and who state that Burns was essentially forced out of Workhorse for wasting money and repeatedly missing deadlines.

It remains unclear to what extent Lordstown Motors will recover from the exposé, and whether and how many jobs will ever materialize at the plant. Just 171 were employed in Ohio at the end of January, according to a company press release at the time.

Regardless, the entire episode contains important and painful truths about the decades-long assault on workers’ livelihoods, and the perpetually fraudulent character of promises by the corporations, the media, and the political establishment that the return of decent-paying jobs is just around the corner.

## The decades-long attack on jobs in Mahoning Valley

GM's shutdown of Lordstown was one part of a new stage in the brutal corporate restructuring effort throughout the US auto industry, aimed at cutting costs, ending the production of less-profitable sedans, and freeing up the substantial capital required to compete in the race to dominate electric vehicles.

The closure of Lordstown Assembly, along with several other GM facilities, was ratified by the United Auto Workers union in its sellout contract negotiated with GM in 2019, forced through after the union isolated and sabotaged a militant 40-day nationwide strike by 46,000 autoworkers.

Lordstown Assembly, built by GM in the mid-1960s, was the site of bitter struggles by autoworkers in the 1970s. At its height, the plant employed around 13,000 in the once heavily industrialized Youngstown-Mahoning Valley region. By mid-2018, GM had decimated its workforce there, cutting two shifts and all but about 1,600 jobs. The company then announced the planned closure of the plant in December 2018, along with four others: Detroit-Hamtramck Assembly and Warren Transmission in Michigan, Oshawa Assembly in Canada, and Baltimore Operations in Maryland.

The UAW facilitated GM's mass layoffs at Lordstown and numerous other plants before it throughout the last four decades, suppressing strikes and other expressions of opposition by workers, while simultaneously extracting concessions from those who remained, under the false pretext that they were necessary to "save jobs." Workers at Lordstown had reacted with widespread anger in 2018 when it emerged that the UAW, including then-UAW Vice President for GM Cindy Estrada, had secretly agreed to allow GM to hire low-paid temps through a subsidiary, Lordstown GM Subsystems Manufacturing LLC, after the company laid off hundreds of high-seniority workers.

As the UAW worked with GM behind the scenes to negotiate company-friendly agreements—while also pocketing millions in bribes from Fiat Chrysler officials—it was simultaneously attempting to whip up nationalism and anti-Mexican and anti-Chinese sentiment, blaming workers overseas for the loss of jobs, seeking to deflect anger from themselves and the transnational corporation that was the source of the attacks.

Although GM's Lordstown, Baltimore and Warren facilities (along with a parts distribution center in Fontana, California) were all closed following the 2019 GM-UAW contract, the UAW touted jobs that were "saved" at Detroit-Hamtramck. Renamed "Factory ZERO," it is currently retooling in preparation to produce the company's new Hummer electric pickup. However, any jobs which eventually return to the plant have been predicated on the UAW imposing painful concessions on workers, including the massive expansion of the use of low-paid temporary workers, who have fewer benefits and virtually no job security, yet still pay union dues.

In a further effort to buttress its claims that it was saving jobs, the UAW pointed to GM's announcement that it would construct a battery factory in Lordstown, in a joint venture with South Korea's LG Chem. The plant, however, will have just a fraction of the number previously employed at Lordstown Assembly, with wages considerably less, about \$17, than those that had been earned by senior assembly workers.

The shutdown of Lordstown Assembly has devastated workers, their families, and their community, in a region which had already suffered more than 40 years of relentless deindustrialization. Most notoriously, Youngstown Sheet and Tube announced it would shutter its Campbell

Works steel mill on "Black Monday," September 19, 1977, laying off 5,000 overnight. Within five years, another 50,000 manufacturing jobs would disappear from the Mahoning Valley. Since 1990, another 37,000 manufacturing jobs have been lost from the Youngstown-Warren metro area, according to the Bureau of Labor Statistics.

As a result of GM's ruthless calculations that the Lordstown Plant was not worth continuing to operate, impossible and heart-rending decisions have confronted former workers, who have been forced to choose between separating or uprooting their families in order to continue work at GM plants hundreds of miles away, or remaining in the area and facing the grim prospects of lower-paid work, or worse, long-term unemployment, the loss of homes, and descent into poverty and hunger.

GM's announcement in 2018 that it would close several plants was a significant blow to the Trump administration at the time, cutting across its claims of engineering a "blue collar boom."

Thus, Trump was one of the loudest boosters of the deal to sell the plant, tweeting in May 2019 that the sale was "GREAT NEWS FOR OHIO!" and, preposterously, that, "With all the car companies coming back, THE USA IS BOOMING!" A year later, Vice President Mike Pence visited the factory, riding onto a stage in an Endurance "prototype," and claimed the company would soon begin production, pompously declaring that it would "lead a transition to greatness."

In opposition to the media and political hype around the plant's sale, the *World Socialist Web Site* warned in May 2019, "What, if any, jobs the venture will create is open to speculation, especially given that the company has no experience in manufacturing operations, currently employs fewer than 100 people and reported \$36.5 million in losses for 2018."

## Rising speculation and fraud surrounding EVs

The exposure of Lordstown Motors's dubious practices is both another embarrassment for GM—which had taken a roughly 4.5 percent stake in the company and had announced that it would provide it access to its supplier network—and a further indication of the swindling and fraud increasingly dominating financial markets and capitalism more broadly, in which the accumulation of wealth is more and more separated from any real productive process.

Lordstown Motors is now the second EV startup GM has partnered with that has been targeted by short sellers over signs of potential fraud. Last year, GM was forced to wind back a much-hailed deal with EV startup Nikola after a report, also produced by Hindenburg Research, which alleged repeated misrepresentations by the company about its technology. The report was released just after the GM-Nikola deal had been announced.

Nikola had also gone public through a merger with a SPAC in March 2020, with an initial valuation of \$3.3 billion, later reaching as high \$30 billion, more than that of then-Fiat Chrysler (now Stellantis), even though Nikola had never produced a single vehicle. The SEC also launched an investigation following Hindenburg's report about Nikola. The company's chairman, Trevor Milton, accused by Hindenburg of making exaggerated claims, ultimately resigned, and the company's share price plummeted from a high of nearly \$80 last June to just over \$14, more recently.

SPACs, particularly those for EVs, have increasingly been marketed to retail investors, i.e., individual amateur stock traders, making them ripe opportunities for the predatory operations of the financial aristocracy. "One of the most effective ways of preying on unsophisticated retail [investors] seems to be doing SPACs in the EV space," Carson Block,

founder of short-selling investment firm Muddy Waters, recently told *Business Insider*. “When they look at the massive amounts of wealth that Tesla has created through its stock-price appreciation, I think a lot of unsophisticated, particularly recent entrants to the market can be forgiven for thinking that they might be able to buy the next Tesla. The SPAC sponsors and bankers, I’m sure, are very aware of that mentality.”



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