

Auto Salvager Facing \$200M Award Placed Into Receivership

By Jack Newsham

Law360, New York (June 22, 2016, 5:37 PM ET) -- A U.S. auto salvage company facing a \$200 million arbitration award over unpaid debts to a South African metals giant and competing claims by its owners has been put into receivership, with a Pennsylvania federal judge appointing a lawyer on Tuesday to sell off the company's assets to pay claims the court finds are valid.

Although it's not bankrupt, A-1 Specialized Services and Supplies Inc. will be placed under the control of Charles Persing of Bederson LLP, and salaries and settlement payments to its owners, the Khosla family, will be halted, U.S. District Judge Michael M. Baylson ruled. Two South African companies owned by platinum trader Implats **claimed** earlier this year that the Khoslas were dissipating A-1's assets and **pushed** for the appointment of a receiver, which was tentatively agreed to earlier this month.

Implats has said it believes A-1 is worth somewhere around or below \$47 million, but alleges that Kumar, Om and Suresh Khosla; Suresh's wife, Leena; and Kumar's company Alliance Industries have filed bogus lawsuits against A-1 and settled them to give themselves priority interests on that amount. The Khoslas have argued the suits with A-1 are legitimate, as was Kumar's purchase of Alliance from a family member, and also requested on Tuesday that a lawsuit filed by Implats against them be tossed.

Judge Baylson ordered that the Khoslas not be paid salaries and A-1 not pay its lawyers or rent to Slogam LP, a partnership allegedly set up by Suresh, Kumar and Om Khosla to hold A-1's assets. He also ordered that A-1's assets be insured, but left other decisions about the running of the business and hiring of liquidation consultants up to Persing's discretion.

Implats companies Impala Refining Services Ltd. and [Impala Platinum Holdings Ltd.](#) first sued A-1 in 2013 for refusing to pay back \$179 million they advanced to A-1 to buy catalytic converters, an automobile component that can be processed to extract the valuable platinum and other metals inside.

The dispute was sent to mediation, and when that failed, to a [London Court of International Arbitration](#) tribunal that in late 2015 awarded Implats nearly \$190 million on the unpaid loans, along with \$9.7 million in pre-award interest and post-award interest and costs. Implats sued A-1 and the Khoslas again earlier this year, alleging that they had been dissipating their company's assets through shareholder distributions, inflated salaries, and lawsuits and settlements with the Khoslas and Alliance.

The 2016 lawsuit asserts claims for fraudulent transfer and breach of fiduciary duty. It seeks to have the transferred money returned to the company, unspecified punitive damages and an injunction preventing A-1 from transferring any additional money or property to the shareholders without a reasonably equivalent value in exchange, among other things.

Impala is represented by Richard L. Bazelon, Lisa A. Barton and Michael F.R. Harris of [Bazelon Less & Feldman PC](#).

Ashok Kumar Khosla is represented by Andrew J. Soven and Brian M. Schenker of [Reed Smith LLP](#).

Om P. Khosla is represented by Theodore H. Jobses and Joshua T. Klein of [Fox Rothschild LLP](#).

Leena and Suresh Khosla are represented by William T. MacMinn of [Antheil Maslow & MacMinn LLP](#).

A-1 is represented by Michael O'Hayer.

The cases are Impala Platinum Holdings Ltd. et al. v. A-1 Specialized Services & Supplies Inc. et al., case number 2:16-cv-01343; Impala Platinum Holdings Ltd. et al. v. A-1 Specialized Services & Supplies Inc., case number 2:13-cv-02930; and Alliance Industries Ltd. et al. v. A-1 Specialized Services & Supplies Inc., case number 2:13-cv-02510, in the U.S. District Court for the Eastern District of Pennsylvania.

--Additional reporting by Caroline Simson, Christine Powell and Kali Hays. Editing by Bruce Goldman.