

Banks in Oak Rock case agree to new director

Originally published: May 13, 2013 10:14 PM

Updated: May 13, 2013 10:25 PM

By ROBERT E. KESSLER robert.kessler@newsday.com

Photo credit: Ed Betz | The building at 3900 Veterans Memorial Hwy. in Bohemia contains the offices of Oak Rock Financial and many other companies. (May 2, 2013)



Parties in bankruptcy proceedings against a Bohemia financial company that could be the victim of a \$90 million fraud agreed Monday to allow the current company manager to run operations -- but report to a new independent director -- as a criminal investigation by the FBI and Eastern District federal prosecutors continues.

Originally, the consortium of five banks that loaned the money to Oak Rock questioned the independence and adequacy of the existing

management structure and asked a federal bankruptcy judge in Central Islip to instead appoint an independent overseer.

But the banks have now agreed to let the current control structure continue, but report to an experienced forensic accountant and bankruptcy expert, Edward Bond of New Jersey, who was named as the independent managing director, according to court testimony.

Sources have confirmed the FBI's and U.S. attorney's inquiries into Oak Rock.

In addition to possible criminal charges, at stake in the Oak Rock situation are funds flowing through a chain of companies that eventually underwrite borrowing on credit by consumers of cars, furniture, appliances and even restaurant meals.

Oak Rock is one of a number of financial businesses that operate as a sort of middleman that borrows money from banks and lends it to other companies which in turn lend to companies selling commodities on credit.

The Oak Rock situation became public recently when an associate of John Murphy, the company's founder and longtime operator, said that Murphy had quit and told him that he "had been perpetrating a long-running extensive fraud with Oak Rock by creating fictitious records," court documents said.

That associate, Tom Stephens, resigned last week, leaving a person he had personally appointed to run the company in charge, Cliff Zucker.

The appointment of Bond late last week satisfied concerns that Oak Rock was now in independent hands, according to testimony in court on Monday.

While attorneys for some of the firms that deal with Oak Rock complained Monday in court that they were not getting adequate information on the company's finances, Salvatore LaMonica, a Wantagh bankruptcy lawyer hired by Oak Rock, said he and his associates were just beginning to thoroughly examine Oak Rock's books. They said while they could not satisfy all the requests for credit, they were "drizzling out" enough money for now, they hoped, to keep clients in business.

Robert Nardoza, a spokesman for the Eastern District, declined to comment Monday.

Murphy's attorney, Stephen Scaring, of Garden City, has declined to comment.