
DONALD NEWMAN, individually and on
behalf of all others similarly situated

Plaintiff,

v.

NYACK HOSPITAL, GREGER C. ANDERSON,
ERIC B. BRODER, FRANK J. BORELLI,
WILLIAM SCHLOTT and KPMG L.L.P.

Defendants.

Civil Action No. 02 CV 3283 (NRB)

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE MAKE NOTE THAT, IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM ON OR BEFORE AUGUST 30, 2003.

**NOTICE OF PROPOSED
SETTLEMENT AND HEARING THEREON,
AND RIGHT TO SHARE IN SETTLEMENT
PROCEEDS OF \$620,000 PLUS INTEREST**

TO: ALL PERSONS AND ENTITIES (“CLASS MEMBERS” OR “CLASS”) WHO PURCHASED THE FOLLOWING REVENUE BONDS OF NYACK HOSPITAL DURING THE PERIOD FROM MAY 1, 1999 TO FEBRUARY 11, 2002, INCLUSIVE: (A) \$2,010,000 SERIAL BONDS DUE JULY 1, 2000 INTEREST RATE 5.5%; (B) \$2,220,000 SERIAL BONDS DUE JULY 1, 2001 INTEREST RATE 5.65%; (C) \$13,255,000 6.00% TERM BONDS DUE JULY 1, 2006 YIELD 6.15%; (D) \$425,000 6.00% TERM BONDS DUE JULY 1, 2007 YIELD 6.25%; AND (E) \$10,995,000 TERM BONDS DUE JULY 1, 2013 YIELD 6.25% (“NYACK HOSPITAL REVENUE BONDS”)

The purpose of this Notice is to inform you of the proposed Settlement of the above-captioned class action litigation (the “Action”) and the hearing to be held by the United States District Court for the Southern District of New York (the “Court”) to consider the fairness, reasonableness and adequacy of the proposed Settlement of \$620,000 plus interest. The proposed Settlement, the terms of which are summarized in this Notice, is embodied in a Stipulation of Compromise, Settlement, and Dismissal dated May 14, 2003 (the “Stipulation”) which has been filed with the Court. A hearing (the “Final Approval Hearing”) to consider whether the proposed Settlement of \$620,000 plus interest and the procedural safeguards is fair, reasonable and adequate, meets the requirements of due process, as well as Plaintiffs’ Counsels’ fee and expense application and the application for an award to Lead Plaintiff for his service to the Class, and should be approved and will be held by the Court in Courtroom 21A of the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York on July 17, 2003, at 9:30 a.m.

I. SUMMARY OF THE PROPOSED SETTLEMENT

A. STATEMENT OF PLAINTIFF RECOVERY

Pursuant to the Settlement described herein, a Settlement Fund has been established consisting of \$620,000 cash, plus interest. Plaintiffs’ Lead Counsel estimate an average recovery of approximately \$60.00 per Nyack Hospital Revenue Bond traded during the Class Period which sustained recognizable losses. Depending on the number of valid and timely proofs of claim filed by members of the Class, and whether Class members sold their Nyack bonds during the Class Period, or held them until after the end of the Class Period, an individual Class Member may receive more or less than this average amount.

Under the relevant securities laws, a claimant’s recoverable damages are limited to the losses attributable to the alleged fraud. Losses which resulted from factors other than the alleged fraud are not compensable from the Settlement Fund. For purposes of the Settlement herein, a Class Member’s distribution from the Net Settlement Fund will be governed by the proposed plan of allocation described below in Section VII, or such other plan of allocation as may be approved by the Court.

B. STATEMENT OF POTENTIAL OUTCOME OF CASE

The parties have agreed that the amount of damages that would be recoverable by each member of the Class were Plaintiffs to prevail on all of their claims against the Defendants are approximately \$1,000,000.

C. STATEMENT OF ATTORNEYS’ FEES AND COSTS SOUGHT

Plaintiffs’ Lead Counsel intends to apply to the Court for an award of attorneys’ fees believed to be fair, reasonable, and adequate as payment for their substantial time and efforts expended in the successful prosecution of this action undertaken on a purely contingent basis, in an amount not to exceed one-third (33.33%) of the Settlement Fund, or approximately \$206,460, as well as reimbursement for its actual expenses incurred or paid in the prosecution of this litigation in an amount not to exceed \$75,000. Plaintiffs’ Lead Counsel also intends to apply to the Court for an award for the named plaintiff of no more than \$2,500 for his service to the Class.

D. IDENTIFICATION OF LAWYERS REPRESENTATIVES

Any questions regarding the Settlement should be directed to the following Plaintiffs' Lead Counsel:

SCHOENGOLD & SPORN, P.C.
Samuel P. Sporn, Esq.
Joel P. Laitman, Esq.
Jay P. Saltzman, Esq.
19 Fulton Street, Suite 406
New York, NY 10038
(212) 964-0046

Lead Counsel for the Class

E. REASONS FOR SETTLEMENT

Counsel for plaintiffs engaged in extensive investigation before the commencement of this Action; examination of thousands of pages of documents, including filings in connection with litigation between the defendants themselves; engagement of experts with direct experience with healthcare and accounting and meetings with damages experts; review of the Company's financial filings and their press releases and news articles during the Class Period; and appearances before the Court on a number of occasions. Plaintiffs' Lead Counsel believe that based on the record herein, the proposed Settlement at this time represents an excellent result for members of the Class. The parties have agreed to the proposed Settlement, subject to the approval of the Court, after intensive and protracted arm's length negotiations. The parties to this Settlement believe that it is fair, reasonable, and adequate to the members of the Class considering, among other things, the strengths and weaknesses of Plaintiffs' claims against the Defendants, the drain and hardship on Nyack Hospital if the Action were to continue, the uncertainty inherent in this complex litigation, including a long drawn-out appeals process, and the substantial benefit provided by the Settlement to the members of the Class.

II. DESCRIPTION OF THE SETTLEMENT

A. STATEMENT OF PLAINTIFF RECOVERY

The Settlement Fund consists of \$620,000 cash, plus interest. The Settlement Fund (net of any amounts paid out pursuant to the terms of the Settlement and orders of the Court, and of interest earned) will be held for the benefit of the Class to be distributed as set out in Section VII below.

Plaintiffs estimate that there were approximately 9,000 Nyack Hospital Revenue Bonds purchased during the Class Period which were damaged as a result of the alleged wrongdoing described below. Plaintiffs estimate that, as of May 14, 2003, the average recovery under the Settlement will be approximately \$60.00 per bond out of a maximum recoverable amount of \$111.11 per bond or a total of \$1,000,000 -- a recovery of approximately 60% of the average maximum recoverable damages had Plaintiffs prevailed at trial on all their claims-- before the deduction for attorneys' fees and expenses, as approved by the Court. The actual recovery obtained by any member of the Class also will vary from the average recovery per bond depending upon numerous factors, including (i) the actual amount paid and the amount received on the purchase and/or sale of the Nyack bonds; (ii) the actual number and amount of claims submitted by members of the Class; and (iii) the timing of the Class Member's transactions in Nyack bonds during the Class Period. In addition, the portion of the Settlement Fund available for distribution to the Class Members may be reduced for payment of various costs and expenses, including attorneys' fees and administrative costs associated with the prosecution of the Action.

The Settlement will become effective, assuming approval by the Court, upon the judgment to be entered by the Court becoming final, that is, no longer subject to review either by the expiration of the time for the filing of any motions or appeals therefrom with no motion or appeal having been taken, or, if any motions or appeals are taken, by the determination of the motion or appeal by the highest court to which such motion or appeal may be taken in such manner as to permit the consummation of the Settlement in accordance with the Stipulation.

This Notice is not intended to be a complete description of the Stipulation. The Stipulation contains the full and complete terms of the Settlement, and is available as set forth in Section XI below.

B. STATEMENT OF POTENTIAL OUTCOME OF THE CASE

The financial expert retained by Plaintiffs' Lead Counsel and the financial expert retained by the Defendants agree that the approximate amount of recoverable damages would be \$1,000,000 if plaintiffs prevail on all of their claims against the Defendants. The Defendants, however, deny that the Complaints in the Action state viable claims and believe that Plaintiffs would not recover on their claims. Thus, the potential outcome of the case would vary depending on whether or not plaintiffs would prevail on their claims or on a portion of their claims and how the Court and jury would affix damages. The exact potential outcome is impossible to predict because of these factors.

C. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT

At the hearing described below, Plaintiffs' Lead Counsel will make an application for an award by the Court of attorneys' fees in an amount not to exceed one-third (33.33%) of the Settlement Fund, or approximately \$206,460, (calculated as of May 14, 2003), as well as reimbursement of costs expenses in an amount not to exceed \$75,000 (excluding costs of notice to members of the Class and administration of the Settlement Fund). Plaintiff's Lead Counsel will apply also for an award of no more than \$2,500 for the Lead Plaintiff for the service he rendered to the Class. All such amounts as awarded by the Court shall be paid solely out of the Settlement Fund.

Counsel for plaintiffs engaged in extensive investigation before the commencement of this Action; examination of thousands of pages of documents, including filings in connection with litigation between the defendants themselves; engagement of experts with direct experience with healthcare and accounting and meetings with damages experts; review of the Company's financial filings and their press releases and news articles during the Class Period; and appearances before the Court on a number of occasions.

The nature of the allegations themselves involved extremely complex accounting principles for the healthcare industry and internal controls at Nyack Hospital during the Class Period. These issues would require a detailed examination of Nyack Hospital's accounting documents and its auditor's workpapers. Plaintiffs' Counsel conducted this litigation on a purely contingency basis and without receiving any compensation for their services. Moreover, they advanced their own funds on behalf of the Class to pay the necessary litigation expenses. They have done so on the understanding that, if they were successful in obtaining a recovery, they would apply to the Court for legal fees and reimbursement of their expenses.

The fees sought by Plaintiffs' Counsel are believed to be fair and reasonable and are customary in actions brought on a contingency fee basis. The expense reimbursement sought by Plaintiffs' Lead Counsel consists of expenses actually incurred and paid in the prosecution of the Action to date, and are likewise believed to be fair and reasonable.

D. IDENTIFICATION OF LAWYERS REPRESENTATIVES

Any questions regarding the Settlement should be directed to the following Plaintiffs' Counsel:

SCHOENGOLD & SPORN, P.C.
Samuel P. Sporn, Esq.
Joel P. Laitman, Esq.
Jay P. Saltzman, Esq.
19 Fulton Street, Suite 406
New York, NY 10038
(212) 964-0046

Lead Counsel for the Class

E. REASONS FOR SETTLEMENT

Plaintiffs' Counsel have engaged in extensive and intensive investigation and litigation in the pursuit of this Action. Plaintiffs' Counsel has also engaged in extensive arm's length negotiations with counsel for the Defendants with respect to the Settlement of the Action. These settlement discussions were intensive and protracted. In addition to disputing any liability, defendants' counsel raised issues regarding the legal standing of the plaintiff to pursue any such remedies on behalf of the putative Class. Against this backdrop, the Settlement that has been negotiated (which provides \$620,000 in cash) is believed to be an excellent result. As set forth above, Plaintiffs' Counsel have made a thorough study of the legal principles applicable to the Class claims, and have carefully reviewed the facts and circumstances underlying the allegations made in the Action, including the possible merit of the Defendants' stated position that the Complaint fails to state any legally cognizable claim under the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), and are subject to dismissal and other defenses.

Proving the allegations asserted by Plaintiffs also would pose certain significant difficulties. The representative Plaintiff purchased his Nyack Hospital Revenue Bond prior to the currently known public statements by Defendants, thereby raising standing issues. Plaintiffs also would face a difficult battle in proving scienter given the lack of any insider selling on the part of the Defendants.

Further, the allegations in the Action center around extremely complex accounting principles for the healthcare industry and Nyack Hospital's internal controls during the Class Period. These principles and their application by Nyack Hospital would have required the detailed explanation and assistance of experts in the accounting and healthcare fields. The complexity of the technical issues would likely entail a "battle of the experts" and require an extended trial that would consume a great amount of time.

Plaintiffs' Counsel also have evaluated the expense and length of time necessary to try the Action, taking into account the uncertainties of predicting the outcome of such complex litigation, including the possibility that the Court might summarily dismiss the Action, the uncertain outcome on the merits, and the possibility of lengthy and costly appeals, including a possible appeal on the merits of the Defendants' Motion for Summary Judgment, if they were to be granted. On the basis of their appraisal of all of these factors, Plaintiffs' Counsel has concluded that further proceedings will be protracted, complex and expensive, and that the outcome is uncertain. Based upon consideration of all these factors, and balancing them against the certain and substantial benefits that will be received as a result of the Settlement, Plaintiffs' Counsel has concluded that it is fair, reasonable, adequate and in the best interests of the Class to settle all of the Class claims against the Settling Defendants on the terms and conditions set forth hereinafter.

While continuing to deny any fault, wrongdoing, or liability, and relying on the provisions of this Stipulation that the Settlement embodied herein shall in no event be construed as or deemed to be evidence of an admission or a concession on the part of the Settling Defendants, or any of them, or any of their respective partners, limited partners, members, principals, shareholders, officers, directors, joint venturers, investors, underwriters, auditors, employees, predecessors, successors, affiliates, related entities, acquirors, assigns, agents, insurers, re-insurers, attorneys, heirs, executors or representatives, of any fault, wrongdoing, or liability whatsoever, or that any of the allegations of the Action are true, and without conceding any infirmity in their defenses or the validity of any claims, the Defendants, in order to avoid the cost and distraction of burdensome, protracted and uncertain litigation, have agreed, by and through their respective counsel, to enter into this Stipulation in order to settle the Class claims against them and terminate the Action with prejudice as against them. The Defendants on the one hand, and the Class Plaintiff, individually and on behalf of the Plaintiff Class, on the other hand, intend this Settlement to be a final and complete resolution of all disputes between them with respect to the subject matter of the Action, and acknowledge and agree that it represents a compromise of disputed claims. Accordingly, Class Plaintiff and the Defendants agree that the terms of the Settlement reflect a good faith settlement of the claims against the Settling Defendants, and that the Settlement was reached voluntarily after consultation with experienced legal counsel.

III. DESCRIPTION OF THE LITIGATION

A. HISTORY OF THE LITIGATION

Nyack Hospital is a regional community hospital that provides health services in the Rockland County, New York area. This action arises from injury to holders of the Nyack Hospital Revenue Bonds from the issuance by Nyack of fraudulently inflated financial statements in 1999 and 2000.

On or about April 30, 2002, a lawsuit was filed in the United States District Court for the Southern District of New York on behalf of purchasers of Nyack Hospital Revenue Bonds alleging violations of the federal securities laws by Nyack Hospital and others.

By an Order dated July 25, 2002, the Court appointed as Lead Plaintiff Donald Newman and Schoengold & Sporn, P.C. as Lead Counsel.

On or about August 12, 2002, an Amended Class Action Complaint was filed in this class action on behalf of purchasers of Nyack Hospital Revenue Bonds during the period from May 1, 1999 through February 11, 2002, inclusive (the "Consolidated Complaint") alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The defendants named in the Consolidated Complaint included Nyack Hospital, Greger C. Anderson, Eric B. Broder, Frank J. Borelli, William Schlott and KPMG, L.L.P. The Consolidated Complaint claims, generally, that during the Class Period, the Defendants allegedly made material misstatements in press releases to the public and in publicly-filed financial statements inflating its financial statements by misrepresenting the cost of a nurses' strike against the Company.

B. THE DEFENDANTS' DENIAL OF ALL ALLEGATIONS

The Defendants have denied that the Complaint in the Action states viable claims and do not acknowledge any fault, wrongdoing or liability.

THE COURT, EITHER BY AUTHORIZING THE SENDING OF THIS NOTICE OR OTHERWISE, HAS NOT EXPRESSED ANY OPINION AS TO THE MERITS OF ANY OF PLAINTIFFS' CLAIMS OR ALLEGATIONS, NOR AS TO ANY OF THE DEFENDANTS' DENIALS OR DEFENSES. THIS NOTICE SHALL NOT BE CONSTRUED AS EXPRESSING ANY SUCH OPINION, BUT IS PROVIDED ONLY SO THAT YOU MAY DECIDE WHAT STEPS, IF ANY, TO TAKE IN RELATION TO THE PROPOSED SETTLEMENT.

IV. CLASS ACTION DETERMINATION

In connection with issuing preliminary approval of the settlement, the Court has certified the Class alleged in the Complaint.

V. YOUR RIGHT TO BE EXCLUDED FROM THE CLASS

If you purchased Nyack Hospital Revenue Bonds during the Class Period as described above, and are not a defendant herein, or other excluded person, you are a member of the Class. You may request exclusion from the Class in writing mailed by first class mail addressed to:

Nyack Hospital Securities Litigation
c/o Schoengold & Sporn, P.C.
19 Fulton Street, Suite 406
New York, NY 10038

Your request for exclusion must clearly indicate that you request to be excluded from the Class and must state: the name and address of the person seeking exclusion; the number and CUSIP number of Nyack Hospital Revenue Bonds, if any, held as of the close of business on February 11, 2002, and for all purchases and sales of Nyack Hospital Revenue Bonds during the applicable Class Period: (a) the number of Nyack Hospital Revenue Bonds bought; (b) the number of Nyack Hospital Revenue Bonds sold during the Class Period or thereafter; (c) during the Class Period, the total dollar value paid or received for such purchase or sale; (d) the date of such purchase or sale; and (e) the name(s) in which such bonds were registered when purchased and sold. **The request for exclusion will not be effective unless all of the above information is provided and unless the request for exclusion is postmarked no later than July 11, 2003.**

If you validly request exclusion, you will not be entitled to share in the benefits of any court approved Settlement or be bound by any judgment. Any Class member who does not request exclusion may, if he or she desires, enter an appearance through his or her counsel by sending such entry of appearance to the above address.

All members of the Class who do not request to be excluded may participate in and will be bound by the proposed Settlement. Moreover, all members of the Class who do not request to be excluded, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, waived any and all provisions, rights, and benefits any and all claims, causes of action, rights, actions, suits, obligations, debts, demands, judgments, agreements, promises, liabilities, controversies, costs, expenses and attorneys' fees that have been or could have been asserted and whether now known or unknown, suspected or unsuspected, including without limitation, any claims of violations of federal or state securities laws and any federal or state claims of fraud, intentional misrepresentation, negligent misrepresentation negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, breach of fiduciary duty, or violations of any state or federal statutes, rules or regulations by the Representative Plaintiffs or the Class against the Defendants or any of the Released Parties based upon, arising from, or in any way related to the Agreement and the facts, transactions, events, occurrences, acts or omissions which were or could have been alleged in the Action or Settlement thereof. The Representative Plaintiffs and the Class expressly waive all protection under California Civil Code Section 1542 (General release; extent) or any similar provision of the statutory or nonstatutory law of any other jurisdiction. If you wish to remain a member of the Class, you need do nothing and your rights will be represented by the following Counsel for Plaintiffs:

SCHOENGOLD & SPORN, P.C.
Samuel P. Sporn, Esq.
Joel P. Laitman, Esq.
Jay P. Saltzman, Esq.
19 Fulton Street, Suite 406
New York, NY 10038

Lead Counsel for the Class

In order to share in the benefits of the proposed Settlement, you must file a Proof of Claim and Release form as described below.

VI. EFFECT OF APPROVAL OF THE PROPOSED SETTLEMENT AND RELEASE

If the Court approves the proposed Settlement, judgment will be entered:

(a) approving the Settlement as fair, reasonable, adequate, meeting the requirements of due process, and in the best interests of the Class; determining the reasonable amount of attorneys' fees and reimbursement of costs and disbursements to be awarded to Plaintiffs' Lead Counsel, and retaining jurisdiction for the purposes of effectuating the terms and provisions of the Settlement;

(b) dismissing with prejudice, and releasing and discharging, any and all claims, debts, demands, actions, causes of actions, specialties, covenants, contracts, variances, damages, executions, rights, suits, sums, accounts, reckonings, presentments, extents and any other liabilities whatsoever, both at law and in equity, known or unknown, accrued or unaccrued, liquidated or contingent, matured or unmatured, of or by the Plaintiff Class, or any member or representative of the Plaintiff Class, whether class, derivative or individual in nature, that were asserted, could have been asserted, could in the future be asserted, or are related to claims that were, could have been, or could in the future be asserted, in the Action or in any other action or proceeding or otherwise by the Plaintiff Class, or by any member or representative of the Plaintiff Class, whether class, derivative or individual in nature (including, without limitation any claims for alleged violations of federal or state statutory or common law, or any other law, and for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expense or liability whatsoever) arising from or relating to (i) the purchase, sale, distribution or other transfer, of Nyack Hospital Revenue Bonds during the Class Period; or (ii) the facts, transactions, events, occurrences, disclosures, statements, acts or omissions or failures to act by Nyack or any other Defendant, which were, could have been, or

could in the future be asserted in the Action or in any other action or proceeding or otherwise.

VII. YOUR SHARE OF THE SETTLEMENT FUND

If the proposed Settlement becomes effective, Class members will be entitled to share in the distribution of the proceeds of the Settlement Fund allocated to Plaintiffs and the Class, after payment of attorneys' fees, expenses, and expenses of the settlement administration, to the extent allowed by the Court.

Payments and distributions from the Settlement Fund on claims submitted by Class members shall be made in accordance with a plan of allocation (the "Plan of Allocation") approved by the Court.

The Settlement Fund, net of the costs of notice and administration of the Settlement, attorneys' fees and costs as may be awarded by the Court (the "Net Settlement Fund"), shall be distributed in accordance with the following procedures and criteria:

a) "Eligible Securities" shall be Nyack Hospital Revenue Bonds purchased during the period from May 1, 1999 through and including February 11, 2002 (the "Class Period");

b) Subject to paragraphs (c) and (d) below, the recognized per bond loss for each Nyack Hospital Revenue Bond purchased during the Class Period shall be determined as follows: claimants who purchased Nyack Hospital Revenue Bonds during the Class Period and held the bond through the end of the Class Period shall have a recognized loss of 100% of the difference between the price paid (not including brokerage fees and commissions) and \$796.40 per thousand dollar face amount of the bond;

c) In processing Claims, the first-in, first-out basis ("FIFO") will be applied to both purchases and sales. Each Claim must show the number of Nyack Hospital Revenue Bonds held as of the close of business on April 30, 1999 and the prices paid therefor, and all purchases and sales of Eligible Securities made until February 11, 2002 and the prices paid therefor. The sales of Eligible Securities will be matched in chronological order first against the bonds so held on February 12, 2002 and then against the earliest in time purchases of Eligible Securities during the applicable Class Period. Resulting match-ups which show a gain will be netted against losses on such transactions to determine the Recognized Loss for the Claimant.

d) In the event that the Net Settlement Fund is more or less than the aggregate of all Claimants' Eligible Amount, each Claimant will receive a proportionate share of the Net Settlement Fund based upon the ratio of that Claimant's Eligible Amount to the aggregate of all Claimants' Eligible Amounts.

e) The determinations of the Claims Administrator shall be subject to review and approval by the Court, as part of the Court's review and approval of a proposed Order of Distribution. Neither the Defendants nor their counsel shall have any responsibility or liability with respect to the administration of Claims by the Claims Administrator, including determinations as to the Claims of Class Members, nor shall they have any right to challenge any Claims.

If you acquired any Nyack Hospital Revenue Bonds during the Class Period by gift, inheritance, or operation of law, you are to report this transaction as if you acquired the bond at the same time and at the same cost as the person who purchased the bond.

This Plan of Allocation, and any modification thereof, shall be subject to the approval of the Court as fair, reasonable and adequate to the members of the Plaintiff Class only upon notice and opportunity to be heard by all parties. The Defendants take no position with respect to the Plan of Allocation and shall have no responsibility for its provisions or terms. The Plan of Allocation may be altered or amended by order of the Court only for good cause shown.

Following the calculation of each Claimant's recognized loss Lead Counsel expect to recommend to the Court that all available cash comprising the Settlement Fund shall be allocated so that each Claimant will receive a proportionate share of the Settlement Fund based upon the ratio of that Claimant's Recognized Loss to the aggregate of all Claimants' Recognized Losses. Claimants filing claims resulting in a proportionate share of the Settlement Fund less than \$10 in cash shall not be paid but shall otherwise be bound by the Judgment.

The Plan of Allocation is subject to the approval of the Court as fair, reasonable and adequate to the members of the Class. The Plan of Allocation may be altered or amended by the Court for good cause shown.

In order to make a claim to share in the proceeds of the proposed Settlement described above, you must fill out and submit the enclosed Proof of Claim and Release in the attached form, postmarked no later than August 30, 2003. Each Class member, by filing a Claim, shall submit to the jurisdiction of the Court for purposes of this action.

ANY CLASS MEMBER WHO FAILS TO SUBMIT A VALID AND TIMELY PROOF OF CLAIM AND RELEASE FORM WILL BE FOREVER BARRED FROM SHARING IN THE DISTRIBUTION PROCEEDS OF THE SETTLEMENT, BUT WILL NONETHELESS BE BOUND BY THE JUDGMENT.

In the event that an appeal is taken or a motion is filed as to the Court's approval of the proposed Settlement, no distribution will be made until such time as any motions or appeals are finally resolved in such manner as to permit consummation of the Settlement in accordance with the Stipulation.

VIII. TERMINATION OF PROPOSED SETTLEMENT

If there is no final Court approval of the proposed Settlement in this case, or if the Defendants withdraw from the Settlement in accordance with the Stipulation, or if the Settlement is not consummated for any other reason, the Stipulation will become null and void, and the parties will resume their former positions in this Action.

IX. THE SETTLEMENT HEARING

IF YOU DO NOT WISH TO OBJECT TO THE PROPOSED SETTLEMENT, PLAN OF ALLOCATION OR REQUEST FOR ATTORNEYS' FEES AND EXPENSES YOU NEED NOT APPEAR AT THE HEARING.

Pursuant to an Order of this Court, dated May 19, 2003, the Final Approval and Settlement Fairness Hearing (the "Final Approval Hearing") with respect to the Settlement will be held in Courtroom 21A of the United States Courthouse, United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York at 9:30 a.m. on July 17, 2003 to determine whether the proposed Settlement is fair, reasonable, adequate, meets the requirements of due process, and is in the best interests of the Class, and should be approved by the Court. At this hearing the Court will also pass on Plaintiffs' Counsel's application for attorneys' fees and reimbursement of costs and disbursements and Plaintiffs' proposed Plan of Allocation.

Any member of the Class who has not requested exclusion as described above may appear at the Final Approval Hearing in person, or through duly authorized counsel of his or her choice, and show cause, if any, why the proposed Settlement, the proposed Plan of Allocation, and the application for attorneys' fees and reimbursement of costs and disbursements should not be approved. Any such objection must be supported by the following documents: a written objection and any supporting memoranda or other papers and information (including documentary proof of membership in the Class), and a written statement signed by the objector and setting forth (a) the name, address, and telephone number of the objector; (b) the number, CUSIP, and price of Nyack Hospital Revenue Bonds purchased by the objector during the applicable Class Period, and the date of each such transaction with proof thereof, (c) the number and price of bonds sold during the applicable Class Period or thereafter, and the date of each such transaction with proof thereof, and (d) the reason the person is objecting. The failure to file in a timely manner may bar the objector from being heard, absent relief from the Court. No such objection will be heard and no papers or briefs will be considered unless that person has filed with the Clerk of the United States District Court for the Southern District of New York, no later than July 11, 2003, showing due proof of service, by hand or by first class mail, postage prepaid, on the following persons:

Samuel P. Sporn, Esq.
Joel P. Laitman, Esq.
Jay P. Saltzman, Esq.
SCHOENGOLD & SPORN, P.C.
19 Fulton Street, Suite 406
New York, NY 10038

Seth Taube, Esq.
Richard B. Harper, Esq.
McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, NJ 07102
(973) 622-4444

Betty Santangelo, Esq.
Marc E. Elovitz, Esq.
Schulte Roth & Zabel, LLP
919 Third Avenue
New York, NY 10022
(212) 756-2000

George A. Salter, Esq.
Tracy A. Tiska, Esq.
Hogan & Hartson L.L.P.
875 Third Avenue
New York, NY 10022
(212) 918-3000

Lead Counsel for the Class

Attorneys for Defendants Nyack Hospital, Frank J. Borelli, and William Schlott

Attorneys for Defendants Greger C. Anderson and Eric B. Broder

Attorneys for Defendant KPMG, L.L.P.

You may file an objection without having to appear at the Settlement Hearing. Members of the Class who approve of the proposed Settlement do not need to appear at the Settlement Hearing to indicate their approval, although they must file a Proof of Claim and Release to participate in the Settlement.

ANY CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED HEREIN WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION, AND SHALL BE FOREVER FORECLOSED FROM MAKING ANY OBJECTION TO THE PROPOSED SETTLEMENT.

X. SPECIAL NOTICE TO BROKERS, BANKS AND OTHER NOMINEES

If you, as nominee, purchased Nyack Hospital Revenue Bonds during the Class Period on behalf of any beneficial owner, you have been directed by Order of the Court dated May 19, 2003 immediately to contact the CLAIMS ADMINISTRATOR, NYACK HOSPITAL SECURITIES LITIGATION, P.O. Box 9000 #6113, Merrick, NY 11566-9000 (TELEPHONE: 1 (800) 516-7283) and either (a) within fourteen (14) days after receipt from the Claims Administrator of copies of the Notice and Proof of Claim and Release, mail such copies to the beneficial owners of the securities, providing written confirmation, in Affidavit form, to the Claims Administrator and Plaintiffs' Lead Counsel of such mailing, or (b) provide the Claims Administrator with the names and addresses of such beneficial owners, in which case the Claims Administrator will then send copies of the Notice and Proof of Claim and Release to each such person. The Claims Administrator will provide nominees with additional copies of the Notice and Proof of Claim and Release upon the request of such nominees. The Claims Administrator will also offer reimbursement to nominees for the reasonable administrative costs of searching their records to find the names and addresses of the beneficial owners and for mailing the Notices.

XI. FURTHER INFORMATION

For a more detailed statement of the matters involved in this litigation, you are referred to the papers on file in this action, including the Stipulation, which may be inspected during regular business hours at the Office of the Clerk of the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York.

PLEASE DO NOT CALL OR WRITE THE COURT DIRECTLY. IF YOU HAVE ANY QUESTIONS, PLEASE WRITE TO THE FOLLOWING COUNSEL REPRESENTING PLAINTIFFS AND THE CLASS:

SCHOENGOLD & SPORN, P.C.
19 Fulton Street Suite 406
New York, NY 10038

Dated: May 19, 2003

*BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK*

THE HONORABLE NAOMI REICE BUCHWALD