NOTICE OF SPECIAL TAX

COMMUNITY FACILITIES DISTRICT NO. 2003-2 (SERVICES)
ANNEXATION NO. 1
OF THE CITY OF MERCED
COUNTY OF MERCED, CALIFORNIA

IMPROVEMENT AREA #15 (COTTAGES)

TO: THE PROSPECTIVE PURCHASER OF THE REAL PROPERTY KNOWN AS:

APN: _____TRACT: _____ LOT: _____

THIS IS A NOTIFICATION TO YOU PRIOR TO YOUR PURCHASING THIS PROPERTY.

(1) This property is subject to a special tax, which is in addition to the regular property taxes and any other charges, fees, special taxes, and benefit assessments on the parcel. This special tax may not be imposed on all parcels within the city or county where the property is located. If you fail to pay this tax when due each year, the property may be foreclosed upon and sold. The tax is used to provide public services that are likely to particularly benefit the property. YOU SHOULD TAKE THIS TAX AND THE BENEFITS FROM THE SERVICES FOR WHICH IT PAYS INTO ACCOUNT IN DECIDING WHETHER TO BUY THIS PROPERTY.

(2) The applicable maximum special tax which may be levied against this parcel to pay for public services for fiscal year 2007-08 is found in one of the categories shown on the following table:

Type of Property	*Maximum Special Tax Fiscal Year 2007-08*
Single Family Residential	$689.63 per Unit
Multi-Family Residential	$598.92 per Unit
Retail Property	$95.08 per 1,000 sq. ft.
Office Property	$93.99 per 1,000 sq. ft.
Industrial Property	$54.64 per 1,000 sq. ft.
Other Property	$95.08 per 1,000 sq. ft.

Each year these amounts will increase by applying the average increase in the Consumer Price Index for the San Francisco All Urban Wage Earners Category and the National Consumer Price Index, as determined by the City of Merced. The special tax will be levied each year and used to pay for ongoing service costs and may be levied in perpetuity.

(3) The special taxes may be used to pay for costs of the following authorized services:

> Certain public services, including, but not limited to, public safety services (e.g., police and fire protection), landscape, sidewalk, park, and parkway maintenance (including lighting), flood control services, and other services authorized pursuant to the Mello-Roos Community Facilities Act of 1982 (being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as now and hereafter amended (the "Act") or the City's municipal code, including costs of personnel and equipment replacement and maintenance. This description is general in nature. The actual nature and location of the services to be provided will be determined following construction of new development that requires the services and the facilities to be maintained by the services.

YOU MAY OBTAIN A COPY OF THE RESOLUTION OF ANNEXATION WHICH AUTHORIZED ANNEXATION TO THE COMMUNITY FACILITIES DISTRICT, AND WHICH SPECIFIES MORE PRECISELY HOW THE SPECIAL TAX IS APPORTIONED AND HOW THE PROCEEDS OF THE TAX WILL BE USED, FROM THE CITY OF MERCED BY CALLING THE OFFICE OF MUNIFINANCIAL, 27368 VIA INDUSTRIA SUITE 110 TEMECULA, CALIFORNIA 92590, (866) 807-6864. THERE MAY BE A CHARGE FOR THIS DOCUMENT NOT TO EXCEED THE REASONABLE COST OF PROVIDING THE DOCUMENT.

I (WE) ACKNOWLEDGE THAT I (WE) HAVE READ THIS NOTICE AND RECEIVED A COPY OF THIS NOTICE PRIOR TO ENTERING INTO A CONTRACT TO PURCHASE OR DEPOSIT RECEIPT WITH RESPECT TO THE ABOVE-REFERENCED PROPERTY. I (WE) UNDERSTAND THAT I (WE) MAY TERMINATE THE CONTRACT TO PURCHASE OR DEPOSIT RECEIPT WITHIN THREE DAYS AFTER RECEIVING THIS NOTICE IN PERSON OR WITHIN FIVE DAYS AFTER IT WAS DEPOSITED IN THE MAIL BY GIVING WRITTEN NOTICE OF THAT TERMINATION TO THE OWNER OR AGENT SELLING THE PROPERTY.

DATE: _____

SIGNATURE:_____

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