

SECURED PROMISSORY NOTE

\$4,000,000.00

_____, 2005

1. Principal.

For value received, in installments as herein provided, NM HOMES ONE, INC., a Delaware corporation ("Maker"), promises to pay to the order of the CITY OF CALABASAS, a public body corporate and politic ("City"), the principal sum of FOUR MILLION AND NO/100 DOLLARS (\$4,000,000.00) , with interest if and to the extent applicable as provided below. All payments hereunder shall be made by Maker to the City in the manner set forth below. As used herein, the term "Holder" shall mean City and any subsequent holder of this Secured Promissory Note (this "Note"), whichever is applicable from time to time.

Deleted: at 26135 Mureau Road, Calabasas, California 91302-3172, or at such other place as Holder may from time to time designate in writing.

2. Payment of Principal; Maturity Date.

The principal balance of this Note shall be paid in full on or before December 31, 2008.

3. Prepayment; Discount for Early Payment.

(a) This Note may be prepaid in full or in part, at any time and from time to time, without premium or penalty in the sole and absolute discretion of Maker. All prepayments shall be applied by Holder first to the payment of principal; and next to the payment of accrued and unpaid interest hereunder (if any).

(b) Notwithstanding anything to the contrary set forth in this Note or in any document or instrument relating to or securing this Note, if NMH shall have reduced the principal balance outstanding hereunder by not less than \$3,800,000, at any time through and including December 31, 2006, this Note shall thereupon be cancelled and all indebtedness evidenced hereby shall be deemed fully and forever satisfied.

(c) Notwithstanding anything to the contrary set forth in this Note or in any document or instrument relating to or securing this Note, if NMH shall have reduced the principal balance outstanding hereunder by not less than \$3,900,000, at any time through and including December 31, 2007, this Note shall thereupon be cancelled and all indebtedness evidenced hereby shall be deemed fully and forever satisfied.

4. Interest.

(a) No Deductions.

The principal balance of this Note shall not bear interest at any time or from time to time until paid in full by Maker to Holder except to the limited extent expressly provided in Section 9 of this Note.

(b) Calculation.

Throughout the term of this Note, to the extent and only to the extent expressly provided in Section 9 of this Note, interest shall be calculated on the basis of a 365-day year, but shall be computed for the actual number of days in the period for which interest is charged. If any payment of interest or principal to be made by Maker shall become due on a day other than a Business Day (as hereinafter defined), such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing any interest with respect to such payment. As used herein, the term "Business Day" shall mean a day other than Saturday or Sunday on which banks are open for business in Los Angeles, California.

5. Manner of Payment.

The indebtedness evidenced hereby shall be payable in lawful money of the United States of America. Each and every payment hereunder shall be made to the City by wire transfer in immediately available funds on the due date to Bank of America, N.A., (ABA Number 122000661) for credit to Account Number 14657-00900. If any payment due under this Note is not paid when such payment is due and such failure is not cured by the end of the next Business Day, Maker shall pay to Holder upon demand a late charge in an amount equal to three-quarters of one percent (.75%) of the delinquent amount in order to defray a portion of the expenses incurred by Holder in handling and processing such delinquent payment and to compensate Holder for the loss of the use of such delinquent payment. The imposition and collection of such late charge shall not (i) constitute a cure of any such default, (ii) relieve Maker of any of its liabilities, duties or obligations hereunder or under the Deed of Trust securing this Note, or (iii) diminish or otherwise affect any of Holder's rights or remedies under this Note or the Deed of Trust.

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6. Security.

This Note evidences indebtedness owed to Holder by Maker in the aggregate original principal amount of FOUR MILLION AND NO/100 DOLLARS (\$4,000,000.00) (the "Loan"), secured by, inter alia, that certain Deed of Trust of even date herewith, executed by Maker, as trustor, to First American Title Insurance Company, as trustee, naming Holder as beneficiary (the "Deed of Trust"), creating a lien on that certain real property described therein (the "Property"). This Note is executed and delivered by Maker to Holder pursuant to that certain Agreement, executed as of December __, 2004, by and between Maker and Holder.

7. Acceleration by Reason of Transfer.

The Deed of Trust contains provisions providing for acceleration of the sums secured thereby in the event of certain transfers of the Property, which provisions are hereby incorporated herein by this reference.

8. Event of Default.

The occurrence of any of the following shall be deemed to be an event of default ("Event of Default") hereunder:

(a) Maker's failure to pay any payment of principal when the same is due and payable which failure in not cured by the end of the next Business Day; or

(b) The occurrence of a Default under the Deed of Trust.

Deleted: and the continuance of such failure for a period of ten (10) calendar days after receipt by Trustor of written notice thereof from Beneficiary

9. Remedies.

Upon the occurrence of an Event of Default and without demand or notice, Holder shall have the option to declare the entire balance of principal immediately due and payable and to exercise all rights and remedies available to it under the Deed of Trust. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the unpaid principal balance of this Note shall bear interest at a rate per annum equal to ten percent (10%) per annum. No delay or omission on the part of Holder in exercising any right under this Note or under the Deed of Trust shall operate as a waiver of such right. The application of this default rate shall not be interpreted or deemed to extend any cure period set forth in this Note or the Deed of Trust otherwise limit any of Holder's remedies hereunder or thereunder.

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10. Waiver.

Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, Holder may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Maker further waives, to the fullest extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note or on the Deed of Trust. Time is of the essence with respect to all obligations of Maker under this Note.

11. Attorneys' Fees.

If this Note is not paid when due or if any Event of Default occurs, Maker promises to pay all reasonable costs of enforcement and collection, including, but not limited to, Holder's reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof.

12. Severability.

Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

13. Exculpation.

(a) Except as otherwise provided in the Deed of Trust, Holder irrevocably and unconditionally agrees that Holder shall not enforce the liability and obligation of Maker to perform and observe the obligations contained in this Note or the Deed of Trust by any action or proceeding wherein a money judgment shall be sought against Maker, except that Holder may bring a foreclosure action or other appropriate action or proceeding to enable Holder to enforce the liens and security interests granted to Holder by Maker under the Deed of Trust and realize upon the Property, the Rents (as defined in the Deed of Trust) and any other collateral granted to Holder by the Deed of Trust; provided, however, that any judgment in any such action or proceeding shall be enforceable against Maker only to the extent of Maker's interest in the Property, in the Rents and in any other collateral specifically granted to Holder. Holder, by accepting this Note and the Deed of Trust, irrevocably and unconditionally agrees that Holder shall not sue for, seek or demand any deficiency judgment against Maker in any such action or proceeding, under or by reason of or under or in connection with this Note or the Deed of Trust. The provisions of this Section shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note or the Deed of Trust; (ii) impair the right of Holder to name Maker as a party defendant in any action or suit for judicial foreclosure and sale under the Deed of Trust; or (iii) impair the right of Holder to obtain the appointment of a receiver. Despite the foregoing, Maker shall remain personally liable for all losses, damages, costs, and expenses (including reasonable attorneys' fees) incurred by Holder as a result of (i) fraud or (ii) bad faith waste of the Property.

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(b) Nothing herein shall be deemed to be a waiver of any right which Holder may have under Section 506(a), 506(b), 1111(b) or any other provision of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness secured by the Deed of Trust.

14. Number and Gender.

In this Note, the singular shall include the plural and masculine shall include the feminine and neuter gender, and vice versa, if the context so requires.

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15. Headings.

Headings at the beginning of each numbered Paragraph of this Note are intended solely for convenience and are not to be deemed or construed to be a part of this Note.

16. Choice of Law.

This Note shall be governed by and construed in accordance with the laws of the State of California.

17. Usury.

All agreements between Maker and Holder are expressly limited, so that in no event or contingency, whether because of the declaration of an Event of Default or acceleration of maturity of the unpaid principal balance, or otherwise, shall the amount paid or agreed to be paid to Holder under this Note exceed the highest lawful rate permissible under applicable usury laws. If, under any circumstances, fulfillment of any provision of this Note or the Deed of Trust securing this Note or any other agreement pertaining to this Note, after timely performance of such provision is due, shall involve exceeding the limit of validity prescribed by law that a court of competent jurisdiction deems applicable, then, ipso facto, the obligations to be fulfilled shall be reduced to the limit of such validity. If under any circumstances, Holder shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to reduce the unpaid principal balance under this Note and not to pay interest, or, if such excessive interest exceeds the unpaid principal balance under this Note, such excess shall be refunded to Maker.

[SIGNATURE APPEARS ON FOLLOWING PAGE]

"Maker"

NM HOMES ONE, INC., a Delaware
corporation

By: _____
Its: _____

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