

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "**Agreement**") is made as of September ____, 2004, by and among Interstate General Company L.P. ("**IGC**"), St. Charles Associates L.P. ("**St. Charles**," and collectively with IGC, the "**Defendants**"), Environmental Resources, Inc. ("**ERI**"), and Stephen Scott, Esq., as escrow agent hereunder ("**Escrow Agent**").

WITNESSETH:

WHEREAS, the Defendants are parties to that certain Consent Decree (the "**Consent Decree**") filed in *United States of America v. Interstate General Co., et al.*, Civ. No. AW-96-112, United States District Court for the District of Maryland Southern Division;

WHEREAS, pursuant to the terms and subject to the conditions of the Consent Decree, the Defendants are required, among other things, to perform certain wetland remediation work on sites identified in two parcels of real property referred to in the Consent Decree as "Parcel L" and "Town Center South" in St. Charles, Maryland, which remediation includes certain re-seeding and planting of vegetation in the spring of 2005 (the "**Remediation**") in the foregoing remediation sites (the "**Remediation Sites**");

WHEREAS, ERI has submitted to the Defendants a proposal and itemized budget for performance of the Remediation (the "**Proposal**"), which Proposal is attached hereto as *Exhibit A*; and

WHEREAS, pursuant to the terms and subject to the conditions of this Agreement, the Defendants are delivering in escrow to Escrow Agent the sum of One Hundred Thousand Dollars (\$100,000) (the "**Escrow Amount**" which amount, together with all interest earned thereon, is referred to as the "**Escrow Funds**"), which funds are to be disbursed as provided herein.

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Agreement and of the representations, warranties, conditions, agreements and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Appointment of Escrow Agent.** The Defendants hereby appoint Escrow Agent as escrow agent to receive, hold, administer, and deliver the Escrow Funds in accordance with this Agreement, and Escrow Agent hereby accepts its appointment, all pursuant to the terms and subject to the conditions set forth herein.

2. **Deposit of Escrow Funds.** The Defendants herewith deposit the sum of One Hundred Thousand Dollars (\$100,000) with Escrow Agent. Escrow Agent acknowledges receipt thereof and agrees to administer the Escrow Funds in accordance with the express provisions of this Agreement.

3. ***Escrow Agent's Responsibilities.*** Escrow Agent shall hold the Escrow Funds until authorized to deliver the same in accordance with this Agreement. Escrow Agent shall deposit the Escrow Amount in an interest-bearing account established with a state or federally chartered bank in Charles County, Maryland, deposits in which bank at all times qualify for Federal Deposit Insurance Corporation insurance ("**Qualified Bank**").

4. ***Release of Escrow Funds.*** Escrow Agent shall hold the Escrow Funds until the Escrow Agent receives written certification by the United States Army Corps of Engineers (Baltimore District) (the "**ACOE**"), such certification not to be unreasonably withheld, conditioned or delayed, certifying that ERI has completed the Remediation in accordance with the terms of the Proposal to the reasonable satisfaction of the ACOE. Promptly following its receipt of such certification, the Escrow Agent shall (a) deliver a copy of the certification to each of ERI and the Defendants; (b) unless the Defendants deliver to the Escrow Agent a written objection within three (3) business days after the foregoing delivery of the certification, pay the Escrow Amount (or a portion thereof as hereafter provided) to ERI in accordance with written instructions provided to the Escrow Agent by ERI, and (c) once the Escrow Amount (or a portion thereof as hereafter provided) has been paid to ERI, pay the remaining amount of the Escrow Funds, if any, to the Defendants in accordance with written instructions provided to the Escrow Agent by the Defendants. Notwithstanding anything to the contrary provided herein, in the event that the cost of the Remediation is less than the Escrow Amount (such cost to be evidenced by a written invoice to be submitted by ERI to the Defendants and Escrow Agent), Escrow Agent shall pay the remaining amount of the Escrow Amount to the Defendants as provided in clause (c) above. Upon the final payment or disposition of the Escrow Funds as provided in this Section 4, Escrow Agent shall thereupon be released and discharged from any and all further obligations arising in connection with this Agreement.

5. ***Matters Regarding Escrow Agent.*** Acceptance by Escrow Agent under this Agreement is subject to the following terms and conditions, which all parties to this Agreement hereby agree shall govern and control the rights, duties and liabilities of Escrow Agent:

(a) In performing any of its duties under this Agreement, or upon the claimed failure to perform hereunder, Escrow Agent shall not be liable to anyone for any damages, losses or expenses that it may incur as a result of Escrow Agent so acting, or failing to act; *provided, however*, that Escrow Agent shall be liable for damages arising out of its willful or grossly negligent acts or omissions under this Agreement. Accordingly, Escrow Agent shall not incur any such liability with respect to (i) any action taken or omitted to be taken in good faith or (ii) any action taken or omitted to be taken in reliance upon any document, including any written notice or instructions provided for in this Agreement, which Escrow Agent shall in good faith have believed to be genuine, true, accurate and duly executed and to have been signed or presented by the proper person or persons and to conform with the provisions of this Agreement.

(b) In the event of a dispute between any of the parties hereto sufficient in the discretion of Escrow Agent to justify its doing so, in addition to its rights under Section 7 hereof, Escrow Agent shall be entitled to tender the Escrow Funds into the registry or custody of any court of competent jurisdiction identified in the immediately following sentence, together with the commencement of such legal proceedings as it deems appropriate, including interpleader, and thereupon shall be discharged from all further duties under this Agreement.

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(a) In performing any of its duties under this Agreement, or upon the claimed failure to perform hereunder, Escrow Agent shall not be liable to anyone for any damages, losses or expenses that it may incur as a result of Escrow Agent so acting, or failing to act; *provided, however*, that Escrow Agent shall be liable for damages arising out of its willful or grossly negligent acts or omissions under this Agreement. Accordingly, Escrow Agent shall not incur any such liability with respect to (i) any action taken or omitted to be taken in good faith or (ii) any action taken or omitted to be taken in reliance upon any document, including any written notice or instructions provided for in this Agreement, which Escrow Agent shall in good faith have believed to be genuine, true, accurate and duly executed and to have been signed or presented by the proper person or persons and to conform with the provisions of this Agreement.

(b) In the event of a dispute between any of the parties hereto sufficient in the discretion of Escrow Agent to justify its doing so, in addition to its rights under Section 7 hereof, Escrow Agent shall be entitled to tender the Escrow Funds into the registry or custody of any court of competent jurisdiction identified in the immediately following sentence, together with the commencement of such legal proceedings as it deems appropriate, including interpleader, and thereupon shall be discharged from all further duties under this Agreement.

Any such legal action shall be brought in the United States District Court for the District of Maryland (Greenbelt Division) or in the courts of the State of Maryland sitting in Charles County, Maryland.

(c) Escrow Agent shall be bound only by the terms of this Agreement and shall not be bound by or incur any liability with respect to any other agreement, understanding or proposal between ERI and the Defendants except as herein expressly provided. Escrow Agent shall not have any duties hereunder except those specifically set forth herein.

6. **Compensation of Escrow Agent.** Escrow Agent shall receive compensation for its services hereunder in accordance with a separate agreement with the Defendants and shall be reimbursed for all reasonable expenses, disbursements and advances incurred or made by it in performance of its duties hereunder. All such compensation, disbursements, expenses and advances shall be borne by the Defendants and, in the case of any such reimbursement, upon submission to the Defendants of an itemized statement relating to the amounts to be reimbursed.

7. **Resignation and Replacement of Escrow Agent.** Escrow Agent may resign and thereby be discharged from its duties hereunder at any time by delivering written notice of such resignation to ERI and the Defendants and specifying a date (not earlier than thirty (30) days after the delivery of such notice) when such resignation shall take effect. Promptly after delivery of such notice, a successor escrow agent shall be appointed by mutual agreement of ERI and the Defendants and such successor escrow agent shall become Escrow Agent hereunder as specified below. If ERI and the Defendants are unable to agree upon a successor escrow agent within thirty (30) days after delivery of such notice, Escrow Agent shall be entitled to appoint its successor. Upon the appointment of a successor escrow agent or the substitution of a new escrow agent as provided herein, (a) the succeeding escrow agent shall assume all of the rights and obligations of Escrow Agent hereunder and all references herein to "Escrow Agent" shall be to such succeeding or new escrow agent, (b) Escrow Agent shall deliver to such successor the Escrow Funds, and (c) Escrow Agent shall be relieved of all subsequent liability with respect thereto. Notwithstanding anything to the contrary provided herein, any successor or new escrow agent appointed or substituted as provided herein shall be a Qualified Bank. The Defendants shall be responsible for paying the reasonable fees and disbursements of a successor escrow agent.

8. **Notices.** Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made for all purposes if sent by hand delivery or overnight delivery service to the addresses set forth on *Exhibit B*, or at such other address as any party may specify by notice given to the other party in accordance with this Section 8. The date of the giving of any notice delivered in person shall be the date delivered, or the next business day following delivery to an overnight delivery service. ERI, the Defendants and Escrow Agent hereby agree that any notice delivered pursuant to this Agreement shall also be delivered (a) to all other parties hereto, and (b) the "Additional Notice Parties" identified on *Exhibit B*, in accordance with the provisions of this Section 8.

9. **Binding Agreement.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided, however*, that

no party may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other parties hereto.

10. **Governing Law.** This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of Maryland. Should any clause, Section or part of this Agreement be held or declared to be void or illegal for any reason, all other clauses, Sections or parts of this Agreement which can be effected without such illegal clause, Section or part shall nevertheless continue in full force and effect.

11. **Enforceability; Severability.** In the event that (a) any covenant or provision hereof is determined by a court of competent jurisdiction to be void or unenforceable in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision, each of which is hereby declared to be separate and distinct, (b) any provision of this Agreement is so broad as to be unenforceable, as determined by a court of competent jurisdiction, such provision shall be interpreted to be only so broad as is enforceable, and (c) any provision of this Agreement is declared invalid or unenforceable for any reason other than overbreadth, as determined by a court of competent jurisdiction, the offending provision will be modified so as to maintain the essential benefits of the bargain among the parties hereto to the maximum extent possible, consistent with Law and public policy.

12. **Amendments and Waivers.** The rights and remedies of the parties to this Agreement are cumulative and not alternative. No modification, amendment or waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom enforcement of any such modification, amendment, or waiver is sought. Such modification, amendment, or waiver shall be effective only in the specific instance and for the purpose for which given. Neither the failure of any party to enforce, nor the delay of any party in enforcing, any condition or part of this Agreement at any time shall be construed as a waiver of that condition or part or forfeit any rights to future enforcement thereof.

13. **Third-Party Beneficiary.** ACOE is an express third-party beneficiary of this Agreement.

14. **Consent Decree.** The Defendants' expenditure of the Escrow Amount (or a portion thereof as provided in Section 4) for the Remediation shall not operate to extinguish the Defendants' obligation to comply with any and all terms and conditions of the Consent Decree.

15. **Counterparts.** This Agreement may be executed in one or more counterparts each of which when taken together shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Agreement.

16. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes any prior understanding of the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

**INTERSTATE GENERAL COMPANY L.P. AND
ST. CHARLES ASSOCIATES L.P.**

ENVIRONMENTAL RESOURCES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STEPHEN SCOTT, ESQ.,
as Escrow Agent

EXHIBIT A—PROPOSAL

EXHIBIT B—NOTICES

If to Escrow Agent, to:

Stephen Scott, Esq.
Chapman, Bowling and Scott, P.A.
112 La Grange Avenue
La Plata, Maryland 20646

If to ERI to:

Environmental Resources, Inc.
One Plaza East, Suite 500
106 East Main Street
Salisbury, Maryland 21801-4981
Attention: Edward M. Launay

If to the Defendants, to:

Interstate General Company L.P.
Two West Washington Street
P.O. Box 1280
Middleburg, Virginia 20118
Attention: Brian J. Wilson

with a copy (which shall not constitute notice) to:

Covington & Burling
1201 Pennsylvania Ave., N.W.
Washington, DC 20004-2401
Attention: Alfred H. Moses, Esq

Additional Notice Parties:

U.S. Army Corps of Engineers
Office of Counsel
Room 6420
10 South Howard Street
Baltimore, Maryland 21201

David Kaplan, Esq.
U.S. Department of Justice
Environmental Defense Section
P.O. Box 23986
Washington, DC 20026

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