Exhibit 10(b)  
  
  
 MEMORANDUM OF AGREEMENT  
  
  
 The Xxxxxx Family Limited Partnership (WFLP) is a Delaware  
limited partnership, all the partnership interest of which are owned  
directly or indirectly by Xxxxx X. Xxxxxx, his wife Xxxxxxx and their six  
children (Xxxxxx Family).  
  
 Interstate Business Corporation (IBC) is a Delaware corporation.   
A majority of the stock of IBC is owned directly or indirectly by the  
Xxxxxx Family.  
  
 Interstate General Company L.P. (IGC) is a Delaware limited  
partnership, the units of which are publicly traded on the American Stock  
Exchange and on the Pacific Stock Exchange. IBC is a general partner of  
IGC.  
  
 WFLP is currently indebted to IBC under a note in the original  
principal amount of $1,895,482 due February 25, 2000 (WFLP Indebtedness).  
  
 IBC is currently indebted to WFLP under notes totaling $3,112,217  
due on various maturity dates, and IBC is currently indebted to Xxxxx X.  
Xxxxxx in the amount of $2,116,877 under a note due October 31, 1999  
(collectively, the IBC Indebtedness).  
  
 IBC is a general partner of IGC and is secondarily liable as a  
matter of law for the obligations of IGC.  
  
 In October 1995, IGC, its affiliate, St. Xxxxxxx Associates L.P.  
(SCA) and Xxxxx X. Xxxxxx were indicted by a federal grand jury for alleged  
violations of the Clean Water Act ("Act") with respect to four parcels of  
land in St. Xxxxxxx, Maryland. In February 1996, the three defendants were  
found guilty of four felony violations of the Act. In June 1996 the court  
sentenced Xx. Xxxxxx to imprisonment, imposed fines on all three defendants  
and ordered IGC and SCA to implement a restoration and mitigation plan. On  
appeal to the United States Court of Appeals for the Fourth Circuit, the  
convictions of the defendants were reversed and the case remanded for  
retrial to the U.S. District Court for the District of Maryland where the  
matter is now pending (Wetlands Litigation).  
  
 On March 11, 1998, IGC and three of its affiliates entered into  
an employment agreement with Xxxx Xxxxxxxxxx under which Xx. Xxxxxxxxxx is  
employed by IGC and its stated affiliates for a term of four years  
(Augenblick Agreement). The obligations of IGC and its stated affiliates  
under the Augenblick Agreement are guaranteed by IBC.  
  
 IBC has agreed to lend to IGC such amounts as may be necessary to  
meet IGC's Wetlands Litigation expenses and to meet the obligations of IGC  
and its stated affiliates under the Augenblick Agreement in the event that  
IGC itself is unable to pay these expenses currently.  
  
  
  
  
  
  
  
  
 In furtherance of the foregoing undertaking by IGC, WFLP and  
Xxxxx X. Xxxxxx have agreed, until the Wetlands Litigation is concluded and  
the obligations of IGC and its stated affiliates under the Augenblick  
Agreement are current, to defer collections on the IBC Indebtedness and to  
accelerate payments ont he WFLP Indebtedness as may be required to meet  
such obligations.  
  
 NOW, THEREFORE, in consideration of the foregoing, the  
undertakings of the parties as set forth in this Memorandum of Agreement  
and for other good and valuable consideration, the receipt of which each of  
the parties acknowledges it has received, IGC, IBC, Xxxxx X. Xxxxxx and  
WFLP agree as follows:  
  
 1. IBC agrees to lend to IGC on commercially reasonable terms  
such amount(s) as may be necessary to enable IGC to pay IGC's Wetlands  
Litigation expenses in the event that IGC itself is unable to pay those  
expenses currently.  
  
 2. WFLP and Xxxxx X. Xxxxxx agree that until the Wetlands  
Litigation is concluded and IGC's expenses related thereto are paid and the  
obligations of IGC and its stated affiliates under the Augenblick Agreement  
are current, it shall defer collection on the IBC Indebtedness as may be  
needed to enable IBC to meet its obligations as a general partner of IGC  
and as a guarantor under the Augenblick Agreement.  
  
 3. WFLP agrees to accelerate payments on the WFLP Indebtedness  
as may be needed to enable IBC to meet its obligations under Paragraph 1 of  
this Memorandum of Agreement and as guarantor under the Augenblick  
Agreement.  
  
 4. This Memorandum of Agreement shall be construed under the  
laws of the State of Delaware.  
  
 5. This Memorandum of Agreement is solely for the benefit of  
the parties hereto, and no persons not a signatory to this Memorandum of  
Agreement shall be considered a beneficiary hereof or have any rights of  
enforcement hereunder.  
  
 6. The parties hereto waive trial by jury in any proceeding,  
legal or otherwise, under this Memorandum of Agreement.  
  
 7. This Memorandum of Agreement shall be valid and legally  
enforceable when signed on behalf of each of the parties hereto. Each of  
the persons signing this Memorandum of Agreement represents and warrants  
that he is fully authorized to sign this Memorandum of Agreement on behalf  
of the respective parties hereto.  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
 IN WITNESS WHEREOF, the parties hereto have signed this  
Memorandum of Agreement as of this 16th day of July, 1998.  
  
  
  
 INTERSTATE GENERAL COMPANY L.P.  
  
 By: INTERSTATE GENERAL MANAGEMENT  
 CORPORATION, its managing general  
 partner  
  
 By: /s/ Xxxxx X. Xxxxxx  
 ---------------------------------  
 Xxxxx X. Xxxxxx  
 CEO  
  
  
 INTERSTATE BUSINESS CORPORATION  
  
 By: /s/ J. Xxxxxxx Xxxxxx  
 --------------------------------  
 J. Xxxxxxx Xxxxxx  
 President  
  
  
 XXXXXX FAMILY LIMITED PARTNERSHIP  
  
 By: /s/ J. Xxxxxxx Xxxxxx  
 --------------------------------  
 J. Xxxxxxx Xxxxxx  
 General Partner