

April 15, 2002

Dear Unitholders:

Today we filed our Form 10-K Annual Report for 2001 with the Securities and Exchange Commission. A copy can be found on IGC's website at <http://www.igclp.com>

The purpose of this letter is to look back at 2001 and, more importantly, forward at 2002 and beyond. Later in this letter I will focus on our waste project development activities which are the future of our company. I will identify the key facts and trends which we believe will drive our success. My goal is for you to be able to evaluate for yourselves the basis for our optimism.

Real Estate Development.

In 2001 we sold an undeveloped parcel of land in Pomfret, Maryland for \$3,325,000 and had additional real estate sales of approximately \$556,000. We invested substantial time and money installing roads, water and sewer to prepare our 900 housing lots in Brandywine, Maryland for sale. This investment led to the recently announced Washington Homes purchase contracts for \$19,239,000, payable over four years, for the semi-developed property.

IGC has approximately \$8.3 million of cash invested in our Brandywine property. We are in a tight cash position because we failed to recover this investment as quickly as planned. We are currently working to refinance the property to recover a portion of IGC's \$7.6 million in loans to the project. We are also in the process of identifying an investor to purchase IGC's future interest in the project revenue stream so that these monies may be redeployed earlier to support our waste project development effort.

Our audited financial statements for 2001 contain a "going concern" opinion by Arthur Andersen. This is a finding by Andersen that they believe there are not "assured" sources of cash to cover expected 2002 expenses. IGC has real estate assets with an estimated fair market value based on current appraisals, less debt, of approximately \$27 million. I believe that our on-going real estate sale efforts and several financing activities will provide assured sources of cash for 2002.

Our most valuable land is approximately 80 acres zoned for commercial, retail and office use, located in Town Center South in Charles County, Maryland. Master planning has been held in abeyance pending our legal effort to set aside the Company's wetlands conviction and a related consent decree based on a recent Supreme Court decision. Oral agreement on the appeal to the Fourth Circuit is scheduled for early May.

Looking to the future, we have begun planning for the development of our Town Center South property as we await the outcome of the wetlands appeal. This property is strategically located in the heart of the growing community of St. Charles. Our current focus is on a 30 acre parcel zoned for commercial and office use. We are negotiating a joint venture with an experienced shopping mall development company to accelerate sale or lease of this property.

We have also taken steps to accelerate sales of the remaining lots in our Westbury planned community. We are in the process of forming a joint venture with an experienced local builder to construct homes on the remaining 258 single family lots. In addition, we are working with local government officials to plan for approximately 100 units of moderate income housing to be financed with tax credits that may be available for this purpose.

Interstate/Caribe Waste Technologies.

We entered 2001 with great expectations for our Caguas, Puerto Rico project. CWT had successfully obtained (1.) a Host Community Agreement with the Municipality of Caguas, (2.) enabling legislation passed unanimously by the legislature and signed by the Governor, and (3.) a "Certificate of Conformity" with the solid waste management plan which allowed CWT to begin contracting, permitting and other activities to implement the project.

A new Governor was elected in November, 2000 and took office in January, 2001. The change in administration brought progress on our project to a halt while new officials took office. The new administration then decided to set aside the existing solid waste management plan in October, 2001.

CWT is working directly with the Mayor to try to persuade Caguas to move forward under the "Autonomous Municipality Act" to sponsor the project. The Mayor is considering our request. We are also trying to persuade the Executive and Legislative Branches to support the project for all the reasons the previous Administration did. We do not expect any decision for several months.

CWT was notified it won a competitive procurement in the Virgin Islands on November 9, 2000. By June, 2001, we reached agreement in principle on commercial terms with the government for the delivery of waste and its processing. Later in the summer, we reached agreement in writing with the electric utility to purchase water and energy off-takes. The utility then decided that CWT must seek certification as a "qualifying facility" from the Public Services Commission before it would continue negotiations. An evidentiary hearing on CWT's petition was held on March 18 and 19, 2002. We expect a decision in April. Assuming it is favorable, we intend to resume negotiations immediately. The Governor of the Virgin Islands wrote CWT on January 30, 2002 saying in part "As I have indicated, solving the Territory's solid waste crisis is a top

priority for my Administration and I feel confident that the technology your company has proposed will provide the resolution we desire.”

Progress on a number of other waste project efforts in 2001 was steady. The most promising developments occurred in Costa Rica. Twelve municipalities make up metropolitan San Jose, the capital and largest city. They passed a Resolution in March, 2001 recognizing a solid waste crisis, stating that the current landfills “harms our environment and threatens the public health of our citizens,” establishing a work group of senior government officials, and requesting a proposal from IWT. In July, 2001, the government owned electric utility stated in writing that it “can and will purchase all the power generated” by our facility. IWT and government officials worked closely for six months to define a project for San Jose. IWT submitted a formal proposal at the end of 2001 for a 528,000 ton per year facility that would cost approximately \$300 million to construct.

In February, 2002, the organization that represents the municipalities of metropolitan San Jose, Costa Rica signed a document with IWT evidencing their intent to proceed with a solid waste project based on our December, 2001 proposal. The project appears to have broad bi-partisan support.

We are currently involved in contracting and permitting efforts. Contracts with the sponsoring municipalities and the electric utility purchasing the export power will be necessary to provide an assured revenue stream necessary for project financing. The Banco National de Costa Rica has expressed interest in writing to lead the financing effort. If the parties’ efforts proceed on the agreed target schedule, the Costa Rica project would go to financial close in 2002. As Unitholders are well aware, development of these large infrastructure facilities is exceedingly complex and subject to numerous political and other factors beyond management’s control. We have made the Costa Rica project a priority and are doing everything possible to move toward financial close.

Late 2001 and the early months of 2002 have brought promising developments in the U.S. market. Collier County, Florida has issued an RFP for a solid waste plant limited to gasification technologies only. Our proposal was submitted on April 5, 2002. The winning proposal should be selected by June, 2002. The United States Environmental Protection Agency has announced a public-private partnership with the City of El Paso and the State of Texas to develop a waste facility using gasification technology. We have placed the EPA’s project presentation on IWT’s website (<http://interstatewastetechnologies.com>) because we believe the project is both a significant opportunity and evidence that gasification has been accepted in the United States as a proven, commercialized technology to process solid waste.

IWT has on-going discussions with three U.S. cities and two municipal agencies about the possibility of supplying Thermoselect plants. Again, there can be no assurance that any of these efforts will lead to executed contracts and financial close.

The United States is our natural market. There are a number of developments which lead us to believe that the domestic market is evolving into a “here and now” market.

I would like to take this opportunity to share with you some of the reasons why we believe that our business plan, the Thermoselect technology and developments in the solid waste market will bring success. I hope the discussion below will allow you to evaluate our logic and the facts upon which it is based.

Business Plan. Our business is to develop and own Thermoselect gasification facilities. Our business objective is to create a reliable, long term income stream from industrial facilities which provide an essential and growing service. Development, marketing and finance are our core competencies. We are leanly staffed and outsource all tasks that others can do better and less expensively. We have teamed with highly qualified companies to design, build and operate our facilities. It is the collective experience and resources of the IWT team which provides the strength needed to be successful.

Our business involves the application of technology to provide a fundamental service with demand growing as populations increase. Our customers are local governments. Our product is an industrial facility with secure long term revenues. Difficult competition from landfills remain, but less so in major population centers where siting and transportation costs and impacts are a major drawback. There have been no major new incinerators ordered in the U.S. since 1994 because of their negative environmental impacts and political opposition. Clean air and water have become a mainstream, not fringe, concern. Energy diversification and renewable energy are now a national priority. Together, these factors point to a large market opportunity which I will describe in more detail below.

First, I want to provide some background as context for the market information which follows.

Gasification is an industrial chemical process that uses high temperature to break down and transform waste (including its toxic elements) into clean synthesis gas to make electricity and other commercially useful byproducts.

The Thermoselect technology is unique in that it recycles 100% of the waste into commercially useful products. It eliminates the need for landfills. It is the only technology which processes all waste, including tires, medical and industrial waste. It has no water emissions. Its electric generating equipment produces approximately 97% less air emissions than allowed by EPA.

Solving The Environmental Problem. Historically, solid waste has been dumped into the ocean, buried in landfills or incinerated. Ocean dumping was banned in 1972. Landfills have a number of environmental drawbacks. They contaminate groundwater and discharge methane, a major source of greenhouse gases. They are increasingly

unacceptable in densely populated areas with limited land resources. These include major American cities and Islands. Incinerators produce large quantities of harmful air emissions, including cancer causing dioxins and benzo-furons. As a result, incinerators have been banned in a number of locations and have become unacceptable in others.

Solid Waste Market. The U.S. population generates approximately 4.5 pounds of solid waste per person per day. This rate has not changed materially since 1990. All data sources agree that the overall volume of waste generated will go up in proportion to the increase in population. Following are facts and trends which drive our market analysis:

(1.) The number of landfills in the U.S. has decreased dramatically from some 8,000 in 1988 to approximately 2,300 in 1999. This reflects the transition from smaller local landfills to larger regional facilities. Disposal sites are located further and further away from population centers, resulting in an increase in transportation costs.

(2.) The number of incinerators in operation has declined from approximately 175 in 1991 to 122 in 1999. No new major incinerator has been awarded and subsequently constructed since 1994.

(3.) The average “tipping” or waste processing fee has increased substantially over the years. Landfill fees range from approximately \$13/ton in Montana to \$70/ton in the Northeastern states.

(4.) IWT’s processing fee varies with size of the plant, interest rates, the price paid for expert electricity, and other factors. Our critical competitive advantage is that we can process all wastes, which incineration cannot. They include tires, medical and industrial waste. These “special” wastes cost more to dispose of than ordinary household waste. We are able to use the higher revenues from processing special waste to subsidize or lower the cost of processing household waste. Our net processing cost for household waste is lower than incineration and competitive with landfills in a number of locations. In short, we offer an environmentally superior service at a very competitive price.

(5.) Local governments are increasingly turning to the private sector for waste disposal services. There are few developers qualified and able to finance, build and operate waste processing services. The recent procurement in Collier County, Florida and the gasification project in El Paso, Texas are examples.

(6.) Concern about energy independence has increased, particularly since the events of September 11 and the recent problems in the Middle East. The U.S. is overly dependent on unreliable foreign oil and gas sources. Price fluctuation is often impossible to predict. Diversification of energy sources has become a government priority. The energy available from U.S. landfilled waste would serve the electric needs of between 14 and 23 million people depending on where they live. It would reduce imports by between 85 to 140 million barrels of oil per year at an annual savings of 2 to 3.5 billion dollars.

(7.) Solid waste is a “renewable” source of energy and recognized as such by Federal and State law.

(8.) Recent studies about the negative health and environmental effects of landfills and incinerators are of great concern to government and the public. A June, 2000 EPA report confirms that dioxins emitted from incinerators cause cancer. Landfills are responsible for 35% of all U.S. methane emissions, one of the major causes of greenhouse gases and global warming.

(9.) Political opposition to the interstate transportation of waste continues to mount. Virginia and Pennsylvania have been focal points in the waste export debate, particularly as it involves New York City which currently exports all of its waste.

(10.) While less extensive international data is available, the domestic trends noted above are present in the locations where we are active.

In summary, the solid waste industry is in a period of rapid transition. Economic, environmental, political and social forces have focused attention on how to dispose of our waste. We believe IWT is poised to take advantage of these changes in the market.

Our number one priority is to get the first waste project to financial close and under construction. We appreciate your patience and continued support.

Sincerely,

James J. Wilson
Chairman and CEO

This letter contains forward-looking statements. Investors are cautioned that all forward-looking statements involve risks, uncertainties, and other factors that could cause results to differ materially from those in the forward-looking statement. They include the risks inherent in securing long term municipal or government contracts, obtaining permits and other approvals, arranging for project financing of capital intensive infrastructure projects, and the possibility of litigation by environmental or community groups, among other risks. We believe our forward-looking statements are based on reasonable assumptions. However, there can be no assurance that our expectations will be attained.