FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000922435-99-000004

FILER

INSITUFORM TECHNOLOGIES INC

CIK:**353020**| IRS No.: **133032158** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-10786** | Film No.: **99575065**
SIC: **1623** Water, sewer, pipeline, comm & power line construction

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ---------- to ----------

Commission file number 0-10786

INSITUFORM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3032158
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
702 Spirit 40 Park Drive, Chesterfield, Missouri	63005
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 314-530-8000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, $.01 par value
(Title of class)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

State the aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the common stock was sold, or the average bid and asked prices of such common equity, as of a specified date within 60 days prior to the date of filing.

Aggregate market value as of March 15, 1999.....$346,265,593

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class A Common Stock, $.01 par value,
as of March 15, 1999.....25,693,103 shares

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the documents, all or portions of which are incorporated by reference herein, and the part of the Form 10-K into which the document is incorporated: Proxy Statement to be filed with respect to the 1999 Annual Meeting of Stockholders-Part III.

PART I

ITEM 1. BUSINESS

General

Insituform Technologies, Inc. (the "Company") is a worldwide provider of proprietary trenchless technologies for the rehabilitation and improvement of pipelines. The Company's primary technology is the Insituform(R) Process (the "Insituform Process"), a "cured-in-place," non-disruptive pipeline rehabilitation process that, during the Company's most recent fiscal year, contributed approximately 64% of the Company's revenues.

In addition to the Insituform Process, the Company offers certain other products in trenchless pipeline system rehabilitation. The Company's NuPipe(R) Process (the "NuPipe Process"), which utilizes a "fold and formed" technology, is used primarily to repair smaller or less damaged pipe. The Company also exercises the exclusive rights in substantially all of North America, and non-exclusive rights in specified other territories,

to the Paltem(R)-HL system and to the Thermopipe(R) System (the "Thermopipe Process").

The Company's Tite Liner(R) Process (the "Tite Liner Process") is used to line new and existing steel pipelines. Through its Affholder, Inc. subsidiary, the Company is engaged in trenchless tunnelling used in the installation of new underground pipelines.

The Company was incorporated in Delaware in 1980 under the name Insituform of North America, Inc., in order to act as the exclusive licensee of the Insituform Process in most of the United States, and to license other companies to market and provide Insituform installation services in return for royalties and sales from materials manufactured by the Company. Contemporaneously with the consummation in 1992 of the Company's acquisition of its licensor, the name of the Company was changed to Insituform Technologies, Inc. As a result of its successive licensee acquisitions, the Company has further integrated its business to perform the entire process of manufacture and installation using its trenchless processes.

As used in this Annual Report on Form 10-K, the term the "Company" refers to the Company and, unless the context otherwise requires, its direct and indirect subsidiaries. For certain information concerning each of the Company's industry segments and domestic and foreign operations, see Note 17 of the Notes to the Company's Consolidated Financial Statements included in response to "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K," which information is incorporated herein by reference.

This Annual Report on Form 10-K contains various forward looking statements and information that are based on information currently available to management and management's beliefs and assumptions. When used in this document, the words "anticipate," "estimate," "believes," "plans," and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Such statements are subject to risks and uncertainties, and the Company's actual results may vary materially from those anticipated, estimated or projected due to a number of factors, including, without limitation, the competitive environment for the Company's products and services, the geographical distribution and mix of the Company's work, and other factors set forth in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time.

Technologies

Pipeline System Rehabilitation. The Insituform Process for the rehabilitation of sewers, pipelines and other conduits utilizes a custom-manufactured tube, or liner, made of a synthetic fiber. After the tube is saturated (impregnated) with a thermosetting resin mixture, it is installed in the host pipe by various processes and the resin is then hardened, usually by heating it by various means, forming a new rigid pipe within a pipe.

The Company's NuPipe Process entails the manufacture of a folded replacement pipe from a thermoplastic material which is stored on a reel in a reduced shape. The pipe is heated at the installation site in order to make it flexible enough to be inserted into an existing conduit, pulled into place and then sequentially expanded to match the existing conduit by internal heat and pressure and progressive rounding, creating a tight fit against the conduit being repaired.

See "Patents and Licenses" below for information concerning the Paltem system and the Thermopipe Process, both licensed by the Company, neither of which were material to the Company's results of operations during the year ended December 31, 1998.

Corrosion and Abrasion Protection. The Company's Tite Liner Process is a method of lining new and existing steel pipelines with a corrosion and abrasion resistant polyethylene pipe.

Tunnelling. Tunnelling is a trenchless, subterranean construction process that generally is utilized for the construction of pipeline systems. The Company utilizes its tunnelling machines to construct new pipes from two to fourteen-foot diameter in size.

Rehabilitation Activities

The Company conducts its rehabilitation activities principally through direct installation and other construction operations performed through wholly-owned and, in some cases, majority-owned subsidiaries. In addition, in those areas of the world in which the Company's management believes it would not be profitable for the Company to exploit its trenchless processes directly, the Company has granted licenses to unaffiliated companies. As described under "Ownership Interests in Licensees" below, the Company has also entered into joint ventures from time to time to encourage additional royalties, sales of its products and exploitation of its trenchless rehabilitation processes.

The Company's principal rehabilitation activities in North America are conducted directly or through subsidiaries which hold the Insituform Process and NuPipe Process rights for 39 of the 50 states (and a portion of another state), in addition to Puerto Rico and the U.S. Virgin Islands, and all of Canada, and the rights in substantially all of North America to the Paltem system and to the Thermopipe Process. Outside of North America, the Company conducts Insituform Process or NuPipe Process direct installation operations through its subsidiaries in the United Kingdom and France.

North American rehabilitation operations are headquartered in Chesterfield, Missouri, with principal operations facilities maintained in approximately 13 locations geographically dispersed through all major regions. European operations are headquartered in La Courneuve, France, with regional operations facilities located in the United Kingdom.

The worldwide rights to the Tite Liner Process are applied by United Pipeline Systems USA, Inc. and, through its United Pipeline

division, Insituform Technologies Limited (Alberta), both subsidiaries of the Company. During 1994, Tite Liner operations commenced in Chile through a newly-organized subsidiary, United Sistema de Tuberias Ltda. ("United Chile"), and during 1996, through newly-organized subsidiaries in Argentina and Mexico. The Company's corrosion and abrasion protection work is coordinated through facilities in Durango, Colorado, with regional facilities located in Canada and Latin America.

The Company's Affholder, Inc. subsidiary, in addition to tunnelling, offers a range of pipe rehabilitation and construction services.

The direct installation business of the Company is project-oriented, and contracts may be obtained through competitive bidding, usually requiring performance at a fixed price. The profitability of these operations to the Company depends upon the ability to estimate costs accurately, and such estimates may prove to be inaccurate as a result of unforeseen conditions or events. A substantial proportion of the work on any

given project may be subcontracted out to third parties by the Company.

Proper trenchless installation requires certain expertise that is acquired on the job and through training, and, if an installation is improperly performed, the Company may be required to repair the defect, which may involve excavation. The Company, accordingly, has incurred significant costs in establishing new field installation crews, in training new operations personnel and in equipping its direct installation staff. The Company generally invoices installation revenues on a percentage-of-completion basis. Under ordinary circumstances, collection from governmental agencies in the United States is made within 60 to 90 days of billing. In some cases, five to 15 percent of the contract value is withheld by the owner until testing is completed or the warranty period has expired.

The Company is required to carry insurance and bonding in connection with certain direct installation projects and, accordingly, maintains comprehensive insurance policies, including workers' compensation, general and automobile liability, and property coverage. The Company believes that it presently maintains adequate insurance coverage for all direct installation activities. The Company has also arranged bonding capacity for bid, performance and payment bonds. Typically, the cost of a performance bond is less than approximately 1% of the contract value. The Company is required to indemnify surety companies for any payments the sureties are required to make under the bonds.

The Company's principal rehabilitation activities are conducted through subsidiaries that are less than wholly-owned as follows:

<TABLE>
<CAPTION>

Subsidiary	Processes	Territory	Interest
<S>	<C>	<C>	<C>
Insituform France	Insituform	France	66-2/3% of

S.A.			stock(2)
United Pipeline de Mexico, S.A.	Tite Liner	Mexico(1)	55% of stock(3)

_____

(1) Jurisdiction of incorporation.

(2) The remaining interest is held by a subsidiary of Lyonnaise des Eaux S.A.

(3) The remaining interest is held by a subsidiary of Produtos y Servicios Miller de Mexico, S.A.

</TABLE>

In addition, in September 1998 the Company completed its acquisition of 80% of the shares of Video Injection S.A. ("Video Injection"), a French company that utilizes multifunctional robotic devices developed by it in connection with the inspection and repair of pipelines, for a purchase price of $5.0 million ($2.6 million of which will be paid in installments through the second anniversary of closing). The remaining 20% of the shares is held by the sellers, who continue to be employed by Video Injection. On the fifth anniversary of closing (or earlier, in specified events), the Company will purchase the remaining shares pursuant to a formula based on Video Injection's results of operations. See"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

In March 1998, the Company completed the acquisition of the entire minority interest in United Chile for an aggregate purchase price of approximately $2.1 million. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

The Company's rehabilitation activities also extend to the grant of licenses for the Insituform Process and the NuPipe Process, covering exclusive and non-exclusive territories, to licensees who provide pipeline repair and rehabilitation services throughout their respective licensed territories. The licenses generally grant to the licensee the right to utilize the know-how and practice the invention of the patent rights (where they exist) relating to the subject process, and to use the Company's copyrights and trademarks. At present, the Insituform Process is commercialized under license by an aggregate of 35 unaffiliated licensees and sublicensees, and the NuPipe Process is commercial-ized under license by an aggregate of seven unaffiliated licensees.

The Company's licensees generally are obligated to pay a royalty at a specified rate, which in many cases is subject to a minimum royalty payment. Domestic licensees are also obligated to pay specified royalty surcharges on their sales and contracts outside of their licensed territories, which are then paid by the Company to the domestic licensee in whose territory the installation was performed. Any improvements or modifications a licensee may make in the subject process during the term of the license agreement becomes the property of the Company or are

licensed to the Company. Should a licensee fail to meet its royalty obligations or other material obligations, the Company may terminate the license. Many licensees (including the domestic licensees), upon prior notice to the Company, may also terminate the license for any reason. The Company may vary the agreement used with new licensees according to prevailing conditions.

Ownership Interests in Licensees

The Company, through its subsidiary, Insituform Holdings (UK) Limited, holds one-half of the equity interest in Insituform Rohrsanierungstechniken GmbH ("IRT"), the Company's licensee of the Insituform and NuPipe Processes in Germany. The remaining interest is held by Per Aarsleff A/S, a Danish contractor. The joint venture partners have rights-of-first-refusal in the event either party determines to divest its interest.

The Company holds additional ownership interests in licensees as follows:

<TABLE>
<CAPTION>

Licensee	Processes	Territory	Interest
<S>	<C>	<C>	<C>
N.V. Kumpen-Insituform	Insituform	Belgium, Luxembourg	50% joint venture interest(1)
Ka-Te Insituform A.G.	Insituform	Switzerland, Liechtenstein and Voralberg, Austria	50% joint venture interest(2)

_____
(1) The remaining interest is held by N.V. Kumpen.
(2) The remaining interest is held by Ka-Te Holding A.G.
</TABLE>

The Company has also entered into several contractual joint ventures in order to develop joint bids on contracts for its direct installation business, and for tunnelling operations. The Company continues to investigate opportunities for augmenting its business through such arrangements.

In March 1999, the Company delivered notice of termination of its joint venture with Insituform East, Inc. ("Insituform East"), an unaffiliated licensee, which does business under the name Midsouth Partners ("Midsouth"). Midsouth has operated under a license from the Company with respect to the Insituform Process covering Tennessee and portions of Mississippi and Kentucky, which the Company has also terminated. Although the Company, directly and through a subsidiary, holds an aggregate of 57.5% of the interest in Midsouth, with the remaining 42.5% interest held by a subsidiary of Insituform East, as a result of the determination in June 1996 by an arbitration panel that the Company's subsidiary was in default of certain obligations under Midsouth's partnership agreement (as a result of action taken before the Company's acquisition of such subsidiary), Insituform East was awarded majority control of the management committee of Midsouth and effectively determines its business strategy and its implementation. The termination of the Midsouth joint venture

will, as set forth in the Company's notice, become effective upon affirmation by the Delaware Court of Chancery, in proceedings initiated by the Company, of the Company's right to terminate Midsouth's license agreement, which by its terms may be terminated immediately in the event any partner of Midsouth seeks its

dissolution. Insituform East has disputed the termination of both Midsouth and its license agreement.

Marketing

The Company has focused the marketing of its rehabilitation technologies primarily on the municipal wastewater markets worldwide, which the Company expects to remain the largest part of its business for the foreseeable future. The Company produces sales literature and presentations, participates in trade shows, conducts national advertising and executes other marketing programs for the Company's own sales force and those of unaffiliated licensees.

As a result of its acquisitions, the Company's distribution efforts are implemented predominantly through the direct installation activities of its subsidiaries. See "Rehabilitation Activities" above for a description of the Company's licensing operations and "Ownership Interests in Licensees" for a description of investments in licensees. The Company's unaffiliated licensees are responsible for marketing and sales activities in their respective territories, and each has a staff for that purpose.

The Company offers its corrosion and abrasion protection technologies worldwide to line new and existing steel pipelines.

No customer accounted for more than ten percent of the Company's consolidated revenues during the years ended December 31, 1998, 1997 and 1996, respectively.

Backlog

At December 31, 1998 and 1997, respectively, the Company recorded backlog from construction operations (excluding projects where the Company has been advised that it is the low bidder) in the amounts of approximately $109.3 million and $102.1 million, respectively. The Company anticipates that substantially all construction backlog recorded at December 31, 1998 will be completed in 1999.

Product Development

The Company, by utilizing its own laboratories and test facilities and outside consulting organizations and academic institutions, continues to develop improvements to its proprietary processes, including the materials used and the methods of manufacturing and installing pipe. See "Item 2. Properties" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for information concerning inauguration of the Company's new research and development facility in Chesterfield,

Missouri. During the years ended December 31, 1998, 1997 and 1996, the Company spent approximately $5.9 million, $7.0 million and

$7.7 million, respectively, on all strategic marketing and product development activities.

Manufacturing and Suppliers

The Company maintains its principal North American liner manufacturing facility in Batesville, Mississippi, with an additional facility located in Memphis, Tennessee. In Europe, Insituform Linings Plc ("Linings"), a joint venture between the Company and five licensees, manufactures and sells linings from its plant located in Wellingborough, United Kingdom. The Company, through a subsidiary, owns 51% of the equity of Linings, an additional five percent of which is owned by IRT. The Company also maintains a liner manufacturing facility in Matsubuse, Japan.

While raw materials used in the Company's Insituform products are typically available from multiple sources, the Company's historical practice has been to purchase materials from a limited number of suppliers. The Company maintains its own felt manufacturing facility contiguous to its Insitutube manufacturing facility in Batesville, and purchases substantially all of its fiber requirements from one source, alternate vendors of which the Company believes are readily available. Although it has worked with one vendor to develop a uniform and standard resin to source substantially all of its resin requirements, the Company believes that resins are also readily available from a number of major corporations should there be a need for alternative resin sourcing. The Company believes that the sources of supply in connection with its Insituform operations are adequate for its needs.

The Company has entered into a supply agreement with an unaffiliated party, under which the Company will purchase the thermoplastic pipe to satisfy the substantial portion of its NuPipe requirements, subject to automatic annual renewal periods and to minimum purchases by the Company. The Company believes that alternative sources of supply for its pipe requirements in connection with the NuPipe Process are available. If the Company were unable to obtain its NuPipe requirements under its existing third party arrangements, the Company might be adversely affected until arrangements with alternative sources are formulated.

The Company sells liners and related products utilized in the Insituform Process, and the thermoplastic pipe utilized in the application of the NuPipe Process, to its licensees, in the case of domestic licenses pursuant to fixed-term supply contracts.

The Company manufactures certain equipment used in its corrosion and abrasion protection operations, and, in connection with any licenses to unaffiliated parties, will sell such equipment to its licensees.

Patents and Licenses

The Company currently holds 64 patents in the United States

relating to the Insituform Process, the last to expire of which will remain in effect until 2016, and has obtained patent protection in its principal overseas markets covering aspects of the Insituform Process. These patents cover certain aspects of the Insituform Process including the manufacture of liners, the resin saturation process and the process of reconstructing the pipeline. Two of the significant patents relating to the Insituform Process, covering, respectively, the curing of a resin-impregnated tube and material aspects of the inversion process, have expired where previously in effect.

The specifications and/or rights granted in relation to each patent will vary from jurisdiction to jurisdiction. In addition, as a result of differences in the nature of the work performed and in the climate of the countries in which the work is carried out, not every licensee uses each patent, and the Company does not necessarily seek patent protection for all of its inventions in every jurisdiction in which it does business.

There can be no assurance that the validity of the Company's patents will not be successfully challenged or that they are sufficient to afford protection against another company utilizing a process similar to the Insituform Process. The Company's business could be adversely affected by increased competition in the event that one or more of the patents were adjudicated to be invalid or inadequate in scope to protect the Company's operations or upon expiration of the patents. The Company believes, however, that while the Company has relied on the strength and validity of its patents, the Company's long experience with the Insituform Process, its continued commitment to support and develop the Insituform Process, the strength of its trademarks, and its degree of market penetration, should enable the Company to continue to compete effectively in the pipeline rehabilitation market.

Ten patents covering the NuPipe Process or the materials used in connection with the NuPipe Process have been issued in the United States. The Company holds patents in connection with the NuPipe Process in 16 other countries.

The Company believes that the success of its corrosion and abrasion protection operations will depend primarily upon its proprietary know-how and its marketing and sales skills.

Pursuant to a license from Ashimori Industry Co., Ltd. ("Ashimori"), the Company holds the exclusive rights to use the patents, trademarks and know-how related to the Paltem-HL system, a process for rehabilitating pressure pipes, and certain other products which are in various stages of development, for substantially all of North America. In March 1998, the license was amended to extend to additional non-exclusive territories in the eastern hemisphere and Latin America. Ashimori is entitled to

receive ongoing royalties at specified rates on installations and sales of liners. The license extends for an initial term through 2009 and automatically is renewed for successive one-year terms unless the Company gives notice of non-renewal at least 90 days prior to the end of a term. In the event annual minimum royalties are not met, Ashimori has the right to render the agreement non-exclusive and, in the event minimum royalties are not met for two

consecutive years, to terminate the agreement.

Under a license from Angus Fire Armour Limited ("Angus"), the Company holds exclusive rights for the United States and Canada, and non-exclusive rights in Mexico and certain territories in the eastern hemisphere, to use the patents, trademarks and know-how related to the Thermopipe Process, a process for rehabilitating potable water and other aqueous fluid pipes. Angus has the option under the license to convert the exclusive rights to non-exclusive rights in those territories where the Company does not meet certain minimum purchases of Thermopipe liner. The license extends for an initial term of five years and is renewable by the Company for an additional five year term, subject to termination in the event of specified defaults. After payment of an initial license fee, no further royalties are due under the license.

Competition

The pipeline reconstruction, rehabilitation and repair business is highly competitive, and the Company competes against many companies, some of which have far greater financial resources and experience than the Company. Accordingly, there can be no assurance as to the success of the Company's processes in competition with such companies and alternative technologies for pipeline rehabilitation.

In each of its rehabilitation markets, the Company currently faces competition from more conventional methods, including: (i) total replacement, which is the excavation and replacement of an entire section of pipe; (ii) point repair, which is the replacement of cracked or structurally failed sections of pipes by actual excavation and replacement; (iii) sliplining, which is the insertion of a smaller pipe within an existing deteriorated pipe; and (iv) the placement of gelatinous material, hydraulic cement, or other acceptable material in defective pipes to repair leaks and prevent infiltration in gravity sewers.

In addition, the Company faces competition from other trenchless processes throughout the world. In the United States, the Company faces competition from several cured-in-place processes and, outside of the United States, from additional cured-in-place processes currently in regional use. The Company also faces competition from several fold and formed thermoplastic processes. Several companies offer in-place polyethylene lining systems which compete with the Company's abrasion and corrosion protection technologies. The Company's trenchless processes may

also encounter competition from alternative trenchless approaches such as pipe bursting and other methods.

The Company's tunnelling operation competes with utility contracting firms throughout North America.

Seasonality

Although the Company's operations can be affected by severe weather, for the past five years seasonal variation in work performed has not had a material effect on the Company's consolidated results of operations.

Employees

As of December 31, 1998, the Company employed 1,472 individuals. Certain of the Company's contracting operations are parties to collective bargaining agreements covering an aggregate of 155 employees. The Company generally considers its relations with its employees to be good.

Government Regulation

The Company and its licensees are required to comply with all national, state and local statutes, regulations and ordinances, including those disclosure and filing requirements relating to the grant of licenses. In addition, the Company's direct installation and other construction operations, and those of its licensees, may have to comply with relevant code specifications, permit requirements, and bonding and insurance requirements as well as with fire regulations relating to the storage, handling and transporting of flammable materials. The Company's manufacturing facilities, as well as its direct installation operations and those of its licensees, are subject to state and national environmental protection regulations, none of which presently has any material effect on the Company's capital expenditures, earnings or competitive position in connection with the Company's present business. However, while the Company's direct installation operations have established monitoring programs relating to the use of solvents, further restrictions could be imposed on the use of solvents or the thermosetting resins used in the Insituform Process. The Company believes that it is in material compliance with environmental laws and regulations applicable to it.

The use of both thermoplastics and thermosetting resin materials in contact with drinking water is strictly regulated in most countries. In the United States, a consortium led by NSF International ("NSF"), under arrangements with the United States Environmental Protection Agency (the "EPA"), establishes minimum requirements for the control of potential human health effects from substances added indirectly to water via contact with treatment, storage, transmission and distribution system components, by defining the maximum permissible concentration of materials which may be leached from such components into drinking

water, and methods for testing them. In February 1996, the Paltem-HL and Frepp processes under license from Ashimori were certified by the NSF for use in drinking water systems, followed in April 1997 by certification by the NSF of the Insituform pressure pipe liner for such use. The Thermopipe product also has NSF approval. The NSF assumes no liability for use of any products, and the NSF's arrangements with the EPA do not constitute the EPA's endorsement of the NSF, the NSF's policies or its standards. Because of the need for dedicated equipment in connection with use of these products in drinking water applications, and the time required for the marketing process, the Company does not expect meaningful revenues from drinking water rehabilitation at least through 1999.

Executive Officers

The executive officers of the Company, and their respective ages and positions with the Company, are as follows:

Name	Age at March 15, 1999	Position with the Company
Anthony W. Hooper	51	Chairman of the Board, President and Chief Executive Officer
Robert W. Affholder	63	Senior Executive Vice President
William A. Martin	57	Senior Vice President-Chief Financial Officer
Robert L. Kelley	53	Vice President-General Counsel
Carroll W. Slusher	50	Vice President-North America
Antoine Menard	48	Vice President-Europe

Anthony W. Hooper has been Chairman of the Board of the Company since 1997, and has been President of the Company since 1996. Mr. Hooper was previously, since 1994, Senior Vice President-Marketing and Technology of the Company, having served as Senior Vice President-Marketing of the Company from 1993 to 1994.

Robert W. Affholder has been Senior Executive Vice President of the Company since 1996. Mr. Affholder was previously, since 1995, Senior Vice President-Chief Operating Officer of North American Contracting Operations of the Company. Mr. Affholder was President of Insituform Mid-America, Inc. ("IMA") from 1994 until its acquisition by the Company in 1995, and was Vice Chairman of IMA from 1993 to 1995.

William A. Martin has been Chief Financial Officer of the Company since 1988, a Vice President from 1989 to 1993 and a Senior Vice President since 1993.

Robert L. Kelley has been Vice President and General Counsel of the Company since 1996. Mr. Kelley was Assistant General Counsel of Monsanto Company from prior to 1994 until joining the Company.

Carroll W. Slusher has been Vice President-North America of the Company since February 1999, having served as the Company's Director of North American Pipe Rehabilitation from 1997 to 1998 and Divisional Vice President-North American Operations from 1998 until February 1999. From prior to 1994 until joining the Company, Mr. Slusher was a regional manager with General Electric Company.

Antoine Menard has been Vice President-Europe of the Company since February 1999, having served as the Company's Managing Director-Europe from 1995 until that date. From prior to 1994 until joining the Company, Mr. Menard was a general manager with the French oil group TOTAL.

ITEM 2. PROPERTIES

The Company's executive offices, located in Chesterfield, Missouri, a suburb of St. Louis, at 702 Spirit 40 Park Drive, are leased from an unaffiliated party through May 31, 2002.

The Company maintains a liner fabrication facility and contiguous felt manufacturing facility in Batesville, Mississippi. Since prepayment in 1997 of the industrial development bond used to finance such facilities, the property remains leased to the Company under arrangements that provide for the Company's purchase option at (subsequent to such prepayment) nominal value.

The Company's manufacturing facilities in Memphis, Tennessee are located on land sub-leased from an unaffiliated entity for an initial term of 40 years expiring on December 31, 2020. The cost of the building, together with certain machinery and equipment, was financed from the sale of a $1.5 million an industrial development bond and secured by a mortgage on the premises and equipment, which was prepaid in 1998.

Linings (a 51%-owned subsidiary) owns certain premises comprising its liner manufacturing facility, located in Wellingborough, England. The Company leases additional manufacturing space in Matsubuse, Japan.

In March 1998, the Company inaugurated a new research and development facility owned by it and adjacent to its installation operations in Chesterfield, comprising approximately 59,500 square feet of space.

In support of its direct installation operations, the Company owns or leases facilities in the United States, Europe and Latin America, the principal sites of which currently are in Chesterfield, Missouri; Charlton, Massachusetts; Jacksonville, Florida; Birmingham, Alabama; Hammond, Louisiana; Lemont, Illinois; Owosso, Michigan; Houston, Texas; Wichita, Kansas; Santa Fe Springs, California; Salem, Oregon; Edmonton, Alberta; Surrey, British Columbia; Ossett, United Kingdom; Antofagasta, Chile; and Villahermosa, Mexico. The Ossett property is subject to a mortgage.

The foregoing facilities are regarded by management as adequate for the current and anticipated future requirements of the Company's business.

ITEM 3. LEGAL PROCEEDINGS

Cat Proceeding. The Company, in 1990, initiated proceedings against Cat Contracting, Inc. ("Cat"), Michigan Sewer Construction Company, Inc. ("Michigan") and Inliner U.S.A., Inc. ("Inliner"), in the United States District Court for the Southern District of

Texas, Houston Division (Civil Action No. H-90-1690)(the "Cat Proceeding"), alleging infringement of certain of the Insituform patents in connection with conduit relining work performed in Houston by licensees of Kanal Sanierung Hans Muller GmbH & Co. In such proceeding, defendants asserted counterclaims alleging that the suit had been brought in bad faith and further that the Company had engaged in unfair competition.

In 1991, the jury rendered its verdict finding that defendants had infringed the Insituform patents at issue and that such patents were not invalid. In response to defendants' request, the U.S. District Court (the "District Court") declined to declare such patents invalid and further declined to disturb the jury's verdict rejecting defendant's counterclaims that the suit had been brought in bad faith and defendant's claims that plaintiffs had engaged in unfair competition. The court did, however, grant the defendants' motion for a new trial on the matter of whether defendants had infringed the Insituform patents under the doctrine of equivalents, setting aside that portion of the jury's verdict; and granted defendants judgment notwithstanding the jury verdict on the issue of literal infringement of those patents.

In October 1995, the District Court held the mandated new trial and ruled that defendants' serial vacuum impregnation processes infringed the Company's patent under the doctrine of equivalents. The court further issued a permanent injunction against defendants' use of the processes covered by such patent

and ordered a trial on the issue of damages. Defendants filed a notice of appeal to the United States Court of Appeals for the Federal Circuit (the "Court of Appeals") and the Company filed a notice of cross-appeal from the 1991 judgment.

In November 1996, the Court of Appeals affirmed the District Court in declining to declare the Company's serial vacuum impregnation patent invalid and found that the jury's rejection of defendants' challenge to the validity of that patent was supported by the evidence. The Court of Appeals further affirmed the District Court's grant to defendants of judgment notwithstanding the jury verdict on the issue of the literal infringement of the patent, and vacated the District Court's finding of infringement under the doctrine of equivalents, holding that the District Court had used incorrect claim construction. Accordingly, the Court of Appeals remanded the case to the District Court for new findings on the infringement issue. In March 1997, defendants sought a writ of certiorari from the U.S. Supreme Court to review that ruling, which was denied by the Court.

In December 1996, the District Court issued its new findings under the guidelines suggested by the Court of Appeals and again found that both of the processes employed by defendants infringed the Company's serial vacuum impregnation patent. In January 1997, defendants appealed from those findings, as well as from the refusal of the District Court to consider allegedly new evidence on the issue of equivalency. The District Court, as affirmed by the Court of Appeals in May 1997, also denied defendants' February 1996 motion for a partial new trial, which alleged that the Company gave false testimony at the 1991 trial and sought dismissal of the action and monetary sanctions.

In September 1998, the District Court awarded the Company approximately $21.9 million in damages for infringement for use of both multiple cups and multiple needles, consisting of reasonable royalties on work performed by defendants Cat, Michigan and Inliner utilizing the Company's patented processes and enhanced damages against Cat and Inliner for willful infringement of the Company's serial vacuum impregnation patent and prejudgment interest. In addition, the District Court awarded the Company recovery of its attorney's and expert witness fees.

In September 1998, the Court of Appeals issued its opinion affirming the December 1996 determination of the District Court that Inliner's multiple-cup process infringed the Company's serial vacuum impregnation patent, but reversed the lower court and ruled that Inliner's process involving the use of multiple needles for impregnation of cured-in-place tubes did not infringe the Company's patent. The Company's petition to the Court of Appeals for reconsideration of the court's determination regarding infringement of the multiple needle impregnation method has been denied and the District Court has permitted discovery on the issue of when defendants and their licensees in fact ceased using the multiple-cup impregnation method and other issues concerning

liability, which has been completed and all issues briefed. The Company's petition for certiorari with the U.S. Supreme Court for review of the Court of Appeals decision has been denied by the Court.

The Company is unable to estimate what effect the findings in discovery will have on the District Court's damage award, but the result may be a substantial reduction in the amount of the damages ultimately awarded to the Company. In addition, the Company is unable to predict the likelihood of any recovery from defendants of amounts ultimately awarded or whether defendants will elect to appeal any decision awarding damages.

Additional Texas Proceeding. In October 1996, two of the defendants in the Cat Proceeding filed a separate action in the District Court against the Company and Insituform East, Incorporated (Inliner U.S.A. and Cat Contracting, Inc. v. Insituform Technologies, Inc. and Insituform East, Inc. [Civil Action No. H96-3627]) alleging, among other matters, that the Company had commenced the Cat Proceeding with knowledge that the Company's serial impregnation patent was invalid and gave false testimony in the Cat Proceeding. The suit further alleged that the Company committed various infractions of the antitrust laws, including conduct by the Company constituting unreasonable restraints of trade and monopolization of its market, in violation of Sections 1 and 2 of the Sherman Act, made false or misleading representations in violation of Sections 1 and 2 of the Sherman Act, made false or misleading representations in violation of Section 43(a) of the Lanham Act, and engaged in other anti-competitive practices in violation of Texas state law, and seeks compensatory and punitive damages.

The Company denied the allegations, raised affirmative defenses, and filed a motion to dismiss regarding certain of the antitrust claims. In August 1997, the District Court issued its

Memorandum and Order granting the Company's motion to dismiss as to claims arising out of the Cat Proceeding, as well as Noerr-Pennington immunity for the patent litigation in the Cat Proceeding and the obtaining of certain product standards, among other matters, and dismissed plaintiffs' claims that the acquisition by the Company of a number of its licensees constituted anti-competitive practices. Although the court denied the Company's motion as to the antitrust claims of complementary bidding, bid rigging, and predatory pricing, the court ordered the plaintiffs to refile an amended complaint alleging with factual particularity any timely claims for tortious interference with business and contractual relations, true "sham" efforts to manipulate municipalities for exclusionary purposes, antitrust injury in regard to acts of complementary bidding, bid rigging and predatory price fixing, and Section 43(a) Lanham Act claim of misrepresentation.

In their third amended complaint, plaintiffs alleged that the Company committed various violations of the antitrust laws, including conduct by the Company constituting unreasonable restraints of trade and monopolization of its market in violation of Sections 1 and 2 of the Sherman Act, violations of Section 2 of the Clayton Act, made false or misleading representations in violation of Section 43(a) of the Lanham Act, tortious interference and business disparagement, and sought compensatory and punitive damages. The District Court dismissed, under the doctrine of res adjudicata, plaintiffs' allegations that the Company had commenced the patent infringement proceedings with knowledge that the subject patent was invalid. The District Court also dismissed certain other claims of plaintiffs and held that plaintiffs had failed to plead a case with respect to the balance of its allegations. Following the District Court's acceptance of plaintiffs' third amended complaint in June 1998, a joint notice of dismissal executed by all parties was filed and, the District Court issued its order of dismissal. Plaintiffs thereafter filed a motion to withdraw the voluntary dismissal motion, which the court rejected in July 1998.

In the interim, on June 30, 1998 plaintiffs refiled, as a new suit, their third amended complaint, including Insituform Gulf South, Inc., a subsidiary of the Company, as a defendant in addition to the original defendants (Inliner U.S.A. and CAT Contracting, Inc. v. Insituform Technologies, Inc., Insituform Gulf South, Inc. and Insituform East, Inc. [Civil Action H-98-20651] in the United States District Court for the Southern District of Texas, Houston Division). Plaintiffs repeat their previous allegations that defendants conspired to exercise monopoly power under Sections 1 and 2 of the Sherman Act and/or acted in concert to restrain trade in an unlawful manner under Sections 1 and 2 of the Sherman Act, that defendants have engaged in a pattern of discriminatory pricing and subsidization specifically designed to eliminate a competitor and/or lessen competition in violation of Section 2 of the Clayton Act, that defendants have made false and misleading statements about the plaintiffs and its products in violation of Section 43(a) of the Lanham Act, and that defendants have engaged in tortious interference with plaintiffs' business and relationships with its licensees so as to constitute business disparagement. The Company intends vigorously to continue to contest plaintiffs' claims.

Discovery in this matter has commenced.

AM-Liner Proceeding. In December 1998, the United States District Court for the Northern District of California issued a favorable judgment and permanent injunction in certain patent infringement proceedings brought by the Company against AM-Liner USA, Inc. ("AM-Liner"), American Pipe & Plastics Inc. ("APP") and J.F. Pacific Liners, Inc. (Civil Action No. C95-01511 CAL). The court found that APP's method of installing folded and formed plastic pipe practiced by AM-Liner and its licensees literally infringes certain of the NuPipe patents and, in addition to

injunctive relief against AM-Liner, APP and their licensees which bars them from using their patented processes, awarded damages to the Company in the amount of $3.1 million plus interest and costs.

In January 1999, the court conditionally stayed the injunction with respect to work commenced or to commence before February 1, upon posting of security by defendants in an amount equal to damages per foot awarded by the court, and in February 1999 defendants filed a notice of appeal from the earlier judgment and submitted a bond in the amount of the award and costs as security. The Company is unable to predict the likelihood of any recovery from defendants of amounts awarded.

Other. The Company is involved in certain additional litigation incidental to the conduct of its business and affairs. Management does not believe that the outcome of any such litigation will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The Company's class A common stock, $.01 par value ("Common Stock"), is traded in the over-the-counter market under the symbol "INSUA." The following table sets forth the range of quarterly high and low sales prices commencing after December 31, 1996, as reported on The Nasdaq Stock Market. Quotations represent prices between dealers and do not include retail mark-ups, mark-downs or commissions.

Period	High	Low
1998		
First Quarter	$11.50	$ 7.75
Second Quarter	14.25	10.63
Third Quarter	15.75	11.88
Fourth Quarter	14.50	9.25

Period	High	Low

1997		
First Quarter	$7.88	$ 5.50
Second Quarter	6.75	5.38
Third Quarter	9.25	5.88
Fourth Quarter	10.19	7.38

As of March 15, 1999, the number of record holders of the Company's Common Stock was 1,432.

Holders of Common Stock are entitled to receive dividends as and when they may be declared by the Company's Board of Directors. The Company has never paid a cash dividend on the Common Stock. The Company's present policy is to retain earnings to provide for the operation and expansion of its business. However, the Company's Board of Directors will review the Company's dividend policy from time to time and will consider the Company's earnings, financial condition, cash flows, financing agreements and other relevant factors in making determinations regarding future dividends, if any. Under the terms of certain debt arrangements to which the Company is a party, the Company is subject to certain limitations in paying dividends. See Note 10 of the Notes to the Company's Consolidated Financial Statements included in response to "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity," which information is incorporated herein by reference.

(b) Not applicable.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the Company's consolidated financial statements referred to under "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K" of this Annual Report on Form 10-K, and previously published historical financial statements not included in this Annual Report on Form 10-K. In October 1995, the Company consummated the acquisition of IMA, which the Company has accounted for as a pooling-of-interests and, accordingly, the historical financial statements of the combining companies have been retroactively combined (after adjustments to eliminate intercompany balances and transactions, and to conform reporting periods and accounting methods) as if the companies had operated as a single entity for the periods presented. Certain historical financial data of IMA have been reclassified to conform to the Company's accounting policies. The selected financial data set forth below should be read in connection with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements, including the notes thereto, referred to herein.

<TABLE>
<CAPTION>

	Unaudited Year Ended December 31,

	1998	1997	1996	1995(1)	1994(2)
			(in thousands, except per share amounts)		
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:					
Revenues	$300,958	$320,640	$289,933	$ 272,203	$ 223,171
Operating income	38,688	25,030	14,346	11,750(3)	29,232
Income (loss) from continuing operations	17,887	9,644	4,492	(966)(4)	15,667
Net income (loss)	17,887	9,419	4,492	(966)	14,503
Basic and diluted earnings (loss) per share:					
Income (loss) from continuing operations	.66	.36	.17	(.04)	.57
Net income (loss)	.66	.35	.17	(.04)	.53(5)
BALANCE SHEET DATA:					
Working capital	121,956	114,283	78,876	69,538	46,403
Current assets	170,105	161,273	130,372	120,711	106,926
Property and equipment	56,421	57,983	57,266	59,773	51,471
Total assets	304,608	297,852	265,502	260,300	227,627
Long-term debt	112,131	111,440	82,384	82,813	47,347
Total liabilities	161,395	162,705	136,664	137,845	110,310
Total common stock and other stockholders' equity	139,505	131,502	123,203	116,810	114,880

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(1) In 1995, the Company consummated the acquisition of the pipeline rehabilitation business of Enviroq Corporation, which has been accounted for under the purchase method of accounting.

(2) In 1994 the Company consummated the acquisition of Gelco Services, Inc. and affiliates, which has been accounted for under the purchase method of accounting.

(3) Reflects $6.5 million in costs associated with the acquisition of IMA, which have been charged to operations primarily in the fourth quarter of 1995, and a pre-tax charge in the amount of $8.1 million for restructuring costs, primarily for consolidation of corrosion and abrasion protection operations, rationalization of Canadian operations to one facility, elimination of duplicative management positions, relocation of certain domestic employees and functions, and termination of construction of proposed manufacturing capacity.

(4) In 1995 the Company settled certain outstanding litigation for a cash payment of $3.2 million and issuance of 30,000 shares of its Common Stock, resulting in an after-tax charge against earnings of approximately $2.2 million.

(5) The Company recorded a fourth quarter 1994 charge resulting from the abandonment of efforts to find a purchaser for, and shut down of, its division engaged in the offsite rehabilitation of downhole tubulars for the oil and gas industry.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's rehabilitation revenues derive primarily from direct installation and other contracting activities, generated by the Company's subsidiaries operating in the United States, Canada, France, the United Kingdom, Chile, Argentina and Mexico, and include product sales to, and royalties and license fees paid by, the Company's 35 unaffiliated Insituform licensees and sub-licensees and its seven unaffiliated NuPipe licensees. During the three years ended December 31, 1998, 1997 and 1996, approximately 63.8%, 62.5% and 69.7%, respectively, of the Company's consolidated revenues related to the Insituform Process.

RESULTS OF OPERATIONS

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Total rehabilitation revenues decreased 6.1% to $301.0 million from $320.6 million in 1997. The principal reason for the decline was decreased volume from the Company's corrosion and abrasion operations in the United States and Latin America of $23.0 million. The Company's pipe rehabilitation operations also experienced an overall decline in revenues due to the elimination of non-core projects, such as cleaning and inspection. For the year ended December 31, 1998, as a result of the management committee composition of Midsouth, the Company accounted for its investment therein on an equity basis, which resulted in revenue of $0.5 million in 1998, compared to $2.1 million in 1997, during which Midsouth's results were consolidated with the Company prior to April 1997. The Company's revenues were bolstered by increased Insituform product sales and steel pipe sales from the Company's corrosion and abrasion operations. Fluctuations in currency exchange rates did not have a material impact on revenues in 1998.

The Company's gross profit from rehabilitation activities increased 5.7% to $99.9 million from $94.5 million in 1997, primarily due to improved gross profit from the Company's North American and European pipeline rehabilitation operations. This improvement was offset somewhat by a decrease in gross profit from the Company's corrosion and abrasion operations due to the revenue volume decrease. The overall gross profit margin for 1998 was 33.2% compared to 29.5% in 1997, primarily due to improvements made in productivity and efficiency in the Company's pipeline rehabilitation operations. Much of this improvement came as a result of extensive reorganization during 1997, where management rationalized field crews and equipment throughout the organization. In addition, in 1998 proportionately more projects with favorable margins were undertaken, as a result of the elimination of lower margin non-core projects such as cleaning and inspection, which was

coupled with improved pricing on core pipeline rehabilitation projects.

In 1998, selling, administrative and general expenses decreased 4.3% to $55.3 million from $57.8 million in 1997. This decrease was due to cost savings gained from the reorganization of the Company's pipeline rehabilitation operations through elimination of positions, facilities, and realignment of responsibilities, along with the consolidation of the Company's

headquarters in Chesterfield. These decreases were offset by increases in spending related to information systems, and patent related activities. As a percentage of revenues, selling, administrative and general expenses increased in 1998 to 18.4% from 18.0% in 1997. This increase was primarily attributable to lower revenue volume in 1998.

In 1998, strategic marketing and product development costs decreased 15.7% to $5.9 million from $7.0 million in 1997. This decrease was primarily attributable to controlled spending in marketing, along with decreased personnel in engineering, offset somewhat by increased spending in research and development.

In 1997, the Company recorded in operating expense an unusual item of $4.0 million for employee severance and costs of moving employees and offices related to the restructuring of its corporate headquarters and related facilities, which did not recur in the current year. In addition, the Company recorded $0.6 million (prior to any effect of taxes) in non-recurring expenses attendant to activities leading to the settlement of a proxy contest attendant to the annual stockholders meeting initiated by a group that included two directors of the Company.

Interest expense in 1998 increased 3.4% to $9.1 million from $8.8 million in 1997, due primarily to the effect of borrowings resulting from the senior note financing completed in February 1997. See "Liquidity and Capital Resources" below.

Other income increased in 1998 to $2.3 million from $0.6 million in 1997, due principally to increased investment income of $1.3 million, resulting from more invested cash and cash equivalents in 1998.

In 1998, taxes on income increased 84.5% to $13.1 million from $7.1 million in 1997, due principally to an increase in income before taxes on income of $14.9 million. The Company's 1998 effective tax rate was 41.1%, as compared to 41.7% in 1997. This decrease was principally due to a more favorable mix of income generated in jurisdictions with lower tax rates in 1998 compared to 1997. As indicated in Note 15 of the Notes to Consolidated Financial Statements included in response to "Item. 14 Exhibits, Financial Statement Schedules and Reports on Form 8-K", the 1998 and 1997 effective tax rates were higher than the United States federal statutory rate, primarily due to non-deductibility of goodwill amortization associated with acquisitions, which is

generally not deductible for tax purposes, and the effect of foreign income earned taxed at higher rates.

In February 1997, as a result of the closing of the Company's senior note financing, certain previous debt facilities were retired. Costs of $0.4 million ($0.2 million after-tax benefits) associated with these debt facilities which were capitalized, such as commitment fees and legal costs, were written off. This expense was classified as extraordinary in the Company's results of operations for 1997.

As a result of the foregoing, net income for 1998 increased 90% to $17.9 million, representing a 5.9% return on revenue,

compared to $9.4 million for 1997, when a 2.9% return on revenue was achieved. The Company also achieved a substantial improvement in return on average stockholders' equity of 13.2% for 1998 as compared to 7.4% for 1997.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Total rehabilitation revenues increased 10.6% to $320.6 million from $289.9 million in 1996. The principal reason for the increase was increased volume from the Company's corrosion and abrasion operations in the United States and Latin America. This increase was offset slightly by lower volume from the Company's North American and European pipeline rehabilitation operations, primarily due to the elimination of non-core projects, such as cleaning and inspection. In addition, since April 1997, the Company accounted for its investment in Midsouth on an equity basis as a result of the composition of its management committee; prior to such date, the Company recorded $1.8 million of revenue in 1997, compared to $7.0 million in 1996. Fluctuations in currency exchange rates did not have a material impact on revenues in 1997.

The Company's gross profit from rehabilitation activities increased 6.5% to $94.5 million from $88.7 million in 1996. This increase was primarily due to increased revenue, offset slightly by lower margins. The overall gross margin achieved in 1997 was 29.5% versus 30.6% in 1996. This decrease was primarily due to increased volume from the Company's corrosion and abrasion operations, which traditionally carry lower margins than the Company's pipeline rehabilitation operations.

Selling administrative and general expenses decreased 4.0% to $57.8 million from $60.2 million in 1996. This decrease was due to cost savings gained from the reorganization of the Company's pipeline rehabilitation operations through elimination of positions, facilities, and realignment of responsibilities, along with the consolidation of the Company's headquarters in Chesterfield. This was offset slightly by increased overhead costs related to the buildup of personnel for the Company's corrosion and abrasion operations in Latin America. As a percentage of revenues, selling, administrative and general expenses decreased to 18.0% from 20.8% in 1996. This decrease was primarily attributable to economies of scale resulting from increased volume, along with the decrease in costs as a result of reorganization.

Strategic marketing and product development costs decreased 10.0% to $7.0 million from $7.7 million in 1996. This decrease was primarily attributable to controlled spending in advertising and research projects, along with decreased personnel in industrial marketing.

During 1997, the Company charged to earnings $4.6 million in unusual expenses related to further reorganization of the Company's pipeline rehabilitation operations and the Company's headquarters. The expenses primarily consist of severance, moving costs of employees and office equipment, and costs related to exiting facilities and markets. Such amount also included $0.6 million incurred in settlement of the proxy contest attendant to the annual

stockholders meeting. In 1996, the unusual expenses of $6.5 million relate to the Company's rationalization of rehabilitation operations, as described below.

Interest expense increased 40.3% to $8.8 million from $6.2 million in 1996, due primarily to increased debt principal of approximately $23 million from the senior notes financing completed in February 1997.

Taxes on income increased 42.0% to $7.1 million from $5.0 million in 1996 due principally to an increase in income before taxes on income of $7.5 million from 1996, offset by a decrease in the effective tax rate to 41.7% from 53.0% in 1996. As indicated in Note 15 of the Notes to Consolidated Financial Statements included in response to "Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K", the 1997 and 1996 effective tax rates were higher than the United States federal statutory rate, primarily due to non-deductibility of goodwill amortization associated with acquisitions, which is generally not deductible for tax purposes, and the effect of foreign income earned taxed at higher rates.

In February 1997, as a result of the closing of the Company's senior note financing, certain previous debt facilities were retired. Costs of $0.4 million ($0.2 million after-tax benefits) associated with these debt facilities which were capitalized, such as commitment fees and legal costs, were written off. This expense has been classified as an extraordinary item in the Company's results of operations for 1997.

As a result of the foregoing, net income for 1997 was $9.4 million, an increase of $4.9 million from net income in 1996. Net income in 1997 represented a 2.9% return on revenue, compared to 1.5% in the prior year. Net income in 1997 represented a 7.4% return on stockholders equity, compared to 3.6% in 1996.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the balance of cash, U.S. Treasury bills, and short-term investments was $76.9 million, compared to $45.7 million at December 31, 1997. The increase in cash and cash equivalents in 1998 resulted from the Company's continued strong positive generation of cash from operating activities, amounting to $55.6 million in 1998 compared to $27.2 million in 1997, and a decrease in capital spending in 1998 to $13.4 million from $16.6 million in 1997, offset by a stock repurchase program undertaken in 1998, in which $9.8 million was spent. Working capital was $122.0 million at December 31, 1998 compared to $114.3 million at December 31, 1997.

The principal reason for the favorable increase in cash from operations, to $55.6 million in 1998 compared to $27.2 million in the prior year, was increased net income of $8.5 million compared to the prior year, along with a favorable change in operating assets and liabilities of $17.8 million, compared to an unfavorable change in 1997 of $2.6 million. Trade receivables, together with costs and estimated earnings in excess of billings and retainage under construction contracts, decreased 16.1% to $74.4 million from $88.7 million at December 1997, primarily attributable to stronger

management control over collections and, to a lesser extent, decreased revenue volume in 1998. The collection cycle for construction receivables is generally longer than that of the Company's manufacturing and royalty operations due to provisions for retainage, often 5% to 15% of the contract amount, as well as the slow internal review processes often employed by the construction subsidiaries' municipal customers. In the United States, retainage receivables are generally received within 60 to 90 days after the completion of a contract.

Capital expenditures were $13.4 million in 1998, compared to $16.6 million in 1997. Capital expenditures generally reflect replacement equipment required by the Company's contracting operations. During 1997, capital expenditures also reflected approximately $3.5 million related to moving the Company's corporate headquarters to Chesterfield and approximately $2.9 million for construction of the Company's new research and development center, projects that were completed during 1998 with an additional cost of approximately $0.5 million.

While the Company expects that routine capital spending will continue at the current level in the foreseeable future, the Company has several information system improvement initiatives underway that will require increased expenditures during the next several years. These initiatives, which began principally in 1997, include expenditures of approximately $1.6 million in connection with the installation of an electronic data collection system in each of the Company's North American rehabilitation operations during the course of 1999, of which $1.0 million was spent as of the end of 1998, and continual accounting system upgrades and modifications. See "Year 2000" below for information concerning the impact of year 2000 issues on the Company's operations.

Financing activities used $11.2 million in 1998, as compared to cash provided of $23.4 million in 1997. In July 1998, the Company announced that its Board of Directors had authorized the repurchase of up to 2,700,000 shares of the Company's Common Stock, to be made from time to time over the next five years in open market transactions. The amount and timing of purchases will be dependent upon a number of factors, including the price and availability of the Company's shares, general market conditions and competing alternative uses of funds, and may be discontinued at any time. During the year ended December 31, 1998, the Company spent $9.8 million for the repurchase of 735,900 shares. The repurchased shares will be held as treasury stock.

In February 1997, the Company completed the sale, in a private transaction, of $110 million principal amount of its 7.88% Senior Notes Series A, due February 14, 2007 (the "Senior Notes"), approximately $85 million of which was applied at closing to the refinancing of outstanding indebtedness of the Company. In 1998, the Company made principal payments totaling $1.8 million relating to the Company's existing debt.

The Senior Notes bear interest, payable semi-annually in August and February of each year, at the rate per annum of 7.88%. Each year, from February 2001 to February 2006, inclusive, the Company will be required to make principal payments of $15.7

million, together with an equivalent payment at maturity. The Senior Notes may be prepaid at the Company's option, in whole or in part, at any time, together with a make whole premium, and upon specified change in control events each holder has the right to require the Company to purchase its Senior Note without any premium thereon.

In August 1997, the Company entered into a credit agreement (the "Credit Agreement"), whereby, as amended effective in September 1998, the lender will make available to the Company, until September 1, 2001 (the "Maturity Date"), a revolving credit line of up to $20,000,000 aggregate principal amount for working capital and permitted acquisitions, including $10,000,000 available for standby and commercial letters of credit. Interest on outstanding advances accrues, at the election of the Company, at either the lender's prime rate, payable monthly, or its LIBOR rate, plus a margin ranging from .5% to 1.5% depending on the maintenance of certain financial ratios, payable at the end of selected interest periods (from one to six months). Outstanding principal is subject to repayment on the Maturity Date, except that advances for permitted acquisitions must be repaid within six months after disbursement.

The note purchase agreements pursuant to which the Senior Notes were acquired, and the Credit Agreement, obligate the Company to comply with certain financial ratios and restrictive covenants that, among other things, place limitations on operations and sales of assets by the Company or its subsidiaries, and limit the ability of the Company to incur further secured indebtedness and liens and of subsidiaries to incur indebtedness, and, in the event of default, limit the ability of the Company to pay cash dividends or make other distributions to the holders of its capital stock or to redeem such stock. The Credit Agreement also obligates certain of the Company's domestic subsidiaries to guaranty the Company's obligations, as a result of which the same subsidiaries have also delivered their guaranty with respect to the Senior Notes.

In March 1998, the Company completed the acquisition of the entire minority interest in United Chile for an aggregate purchase price of approximately $2.1 million, $1.0 million of which was paid in connection with closing, $0.6 million of which is due at the first anniversary of closing, and the remainder of which is due on the second anniversary of closing. In September 1998, the Company completed its acquisition of 80% of the shares of Video Injection. The purchase price for the Initial Shares was $5.0 million, $2.4 million of which was paid at closing, $1.3 million of which is due on the first anniversary of closing and $1.3 million of which is due on the second anniversary of closing, such additional installments secured by the Company's letter of credit arrangements. On the fifth anniversary of closing (or earlier, in specified events), the Company will purchase the remaining 20% of the shares of Video Injection pursuant to a formula based on Video Injection's results of operations.

In February 1999, the Company offered $2.50 for each share of outstanding common stock and Class B common stock of Insituform East (an aggregate of 4,356,862 shares of which were outstanding on February 1, 1999). In March 1999, the Company withdrew its offer

after not receiving any substantive response from Insituform East. See "Item 1. Business-Ownership Interests in Licensees" for information describing the Company's notice of termination of its joint venture with Insituform East which does business under the name Midsouth Partners.

Management believes its current working capital will be adequate to meet its requirements for the foreseeable future.

YEAR 2000

The "year 2000" problem relates to computer systems that have time and date-sensitive programs that were designed to read years beginning with "19," but may not properly recognize the year 2000. If a computer system or software application used by the Company or a third party dealing with the Company fails because of the inability of the system or application to properly read the year "2000," the results may adversely affect the Company.

Accordingly, the Company is reviewing its internal computer programs and systems to ensure year 2000 compliance. During the year ended December 31, 1998, the Company established project teams to address year 2000 risks facing the Company, and its customers and suppliers, and engaged an internationally-recognized consulting firm to assist the team with implementing programs addressing preparedness of the Company. The project team is coordinating the identification and implementation of changes to computer hardware and software applications that will attempt to ensure the availability and integrity of the Company's information systems. The project team is also reviewing and analyzing voice and data communications systems, building systems, manufacturing and operations equipment with embedded components (including HVAC, security and fire protection), and field operations equipment to ensure the reliability of operational systems and manufacturing processes, both in North America and in Europe.

The project team has identified the Company sites and entities that may harbor assets at risk, collecting pertinent information, establishing year 2000 disposition strategies and assessing and reporting risks. The Company's manufacturing system has been modified so as to achieve year 2000 compliance in all material respects, and the Company has identified additional systems that will be replaced by year end. The Company's project team provides consulting services where needed in the areas of project planning and estimating, testing and technical issues, and runs remedial projects as appropriate.

The Company also faces risk to the extent that suppliers of products, services and systems purchased by the Company and others with whom the Company transacts business on a worldwide basis do not comply with year 2000 requirements. Principal areas of the Company's review are banking systems (and the effects on receivables, payables and payroll), telecommunications, suppliers to the Company's manufacturing and operating units (such as felt and resin), transportation systems (both inbound and outbound), and customer information systems for order placement and release and payment of invoices. The Company's project team has initiated formal communications with representatives from significant outside parties that transact with the Company to determine the extent to

which the Company is vulnerable to failure by them to remediate their own year 2000 issues. In the case of suppliers to the Company's manufacturing and operating units, verification will include site visits. The Company's strategy will entail proactive compliance assessment in the case of these parties when appropriate, as well as maintaining paper records of transactions when advisable and inventory stocks of key materials.

The Company expects to complete its year 2000 compliance program during 1999 and, based on information collected, presently believes that any significant issues within its own operations and facilities will be addressed in a timely manner. However, while the Company has not identified material difficulties presented by its suppliers or in its financial or communications support that are

not being addressed, and while the estimated cost of the Company's efforts is not expected to be material to the Company's financial position or any year's results of operations, there can be no assurance to this effect.

Based on management's current assessment that no material exposure to significant business interruption exists, the Company has not adopted any formal contingency plan in the event its year 2000 project is not completed in a timely manner, or in the event unforeseen difficulties arise. The Company will appropriately modify its strategy as additional circumstances come to its attention, but there can be no assurance that the Company will timely identify and remediate all significant year 2000 problems, and that remedial efforts will not involve significant time and expense, or that such problems will not have a material adverse effect on the Company's business, results of operations or financial position.

MARKET RISK

The Company conducts its rehabilitation activities on a worldwide basis, giving rise to exposures related to changes in foreign currency exchange rates. For example, foreign currency exchange rate movements may create a degree of risk to the Company's operations by affecting: (i) the U.S. dollar value of sales made in foreign currencies, and (ii) the U.S. dollar value of costs incurred in foreign currencies. In addition, the Company is exposed to market risks related to changes in interest rates. The Company's objective is to minimize the volatility in earnings and cash flow from these risks.

The Company has selectively used, and will continue to use, forward exchange contracts in order to manage its currency exposure. Forward exchange contracts are executed by the Company only with large, reputable banks and financial institutions and are denominated in currencies of major industrial countries. Given its assessment of such risk, the Company has not deemed it necessary to offset any interest rate exposure. Furthermore, the Company does not enter into transactions involving derivative financial instruments for speculative trading purposes.

Based on the Company's overall currency exchange rate and interest rate exposure at December 31, 1998, a ten percent weakening in the U.S. dollar across all currencies or ten percent

increase in interest rates would not have a material impact on the financial position, results of operations or cash flows of the Company. These effects of hypothetical changes in currency exchange rates and in interest rates, however, ignore other effects the same movement may have arising from other variables, and actual results could differ from the sensitivity calculations of the Company. The Company regularly assesses these variables, establishes policies and business practices to protect against the adverse effects of foreign currency and interest rate fluctuations and does not anticipate any material losses generated by these risks.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information concerning this item, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk," which information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For information concerning this item, see "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K," which information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information concerning this item, see "Item 1. Business-Executive Officers" and the Proxy Statement to be filed with respect to the 1999 Annual Meeting of Stockholders (the "1999 Proxy Statement"), which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

For information concerning this item, see the 1999 Proxy Statement, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For information concerning this item, see the 1999 Proxy Statement, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For information concerning this item, see the 1999 Proxy

Statement, which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements:

The consolidated financial statements filed in this Annual Report on Form 10-K are listed in the attached Index to Consolidated Financial Statements and Schedules.

2. Financial Statement Schedules:

No Financial Statement Schedules are included herein because they are not required or are not applicable or the required information is contained in the consolidated financial statements or notes thereto.

3. Exhibits:

The exhibits required to be filed as part of this Annual Report on Form 10-K are listed in the attached Index to Exhibits.

(b) Current Reports on Form 8-K:

During the quarter ended December 31, 1998, the Company did not file a Current Report on Form 8-K. The Company filed Current Reports on Form 8-K dated, respectively, February 16, 1999, March 2, 1999 and March 10, 1999 reporting its subsequently withdrawn offer to acquire Insituform East, and its termination of the Midsouth license. No financial statements were filed as part of any such report.

POWER OF ATTORNEY

The registrant and each person whose signature appears below hereby appoint Anthony W. Hooper, William A. Martin, and Robert L. Kelley as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the report with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 26, 1999 INSITUFORM TECHNOLOGIES, INC.

By s/ Anthony W. Hooper

Anthony W. Hooper
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
s/Anthony W. Hooper --- Anthony W. Hooper	Principal Executive Officer and Director	March 26, 1999
s/William A. Martin --- William A. Martin	Principal Financial and Accounting Officer	March 26, 1999
s/Robert W. Affholder --- Robert W. Affholder	Director	March 26, 1999
s/Paul A. Biddelman --- Paul A. Biddelman	Director	March 26, 1999
s/Stephen P. Cortinovis --- Stephen P. Cortinovis	Director	March 26, 1999
s/Thomas Kalishman --- Thomas Kalishman	Director	March 26, 1999
s/Silas Spengler --- Silas Spengler	Director	March 26, 1999
s/Sheldon Weinig --- Sheldon Weinig	Director	March 26, 1999

s/Russell B. Wight, Jr.

Russell B. Wight, Jr. Director March 26, 1999

s/Alfred L. Woods

Alfred L. Woods Director March 26, 1999

INDEX TO FINANCIAL STATEMENTS

No Financial Statement Schedules are included herein because they are not required or not applicable or the required information is contained in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Insituform Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of Insituform Technologies, Inc. and subsidiaries (a Delaware corporation) as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insituform Technologies, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

St. Louis, Missouri,
February 17, 1999

REPORT OF MANAGEMENT

Management is responsible for the preparation, integrity and objectivity of financial information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Although the financial statements reflect all available information and management's judgment and estimates of current conditions and circumstances, and are prepared with the assistance of specialists within and outside the Company, actual results could differ from those estimates.

Management has established and maintains an internal control structure to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that the accounting records provide a reliable basis for the preparation of financial statements and that such financial statements are not misstated due to material fraud or error. Internal controls include the careful selection of associates, the proper segregation of duties and the communication and application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. An important element of this system is a comprehensive internal audit program.

Management continually reviews, modifies and improves its systems of accounting and controls in response to changes in business conditions and operations and in response to recommendations in the reports prepared by the independent public accountants and internal auditors.

Management believes that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards and in conformity with the law. This standard is described in the Company's policies on business conduct, which are publicized throughout the Company.

Anthony W. Hooper	William A. Martin
Chairman, President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

<TABLE>

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS -- AS OF DECEMBER 31, 1998 AND 1997

(In thousands, except share information)

<CAPTIONS>

ASSETS	1998	1997

<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 76,904	$ 45,734
Trade receivables, less allowance for doubtful accounts of $2,909 and $2,587	52,280	58,660
Retainage under construction contracts	12,368	14,480
Costs and estimated earnings in excess of billings	9,792	15,551
Inventories	11,282	12,214
Prepaid expenses and other	7,479	14,634
Total current assets	170,105	161,273
PROPERTY AND EQUIPMENT, less accumulated depreciation	56,421	57,983
OTHER ASSETS:		
Goodwill, less accumulated amortization of $14,951 and $12,483, respectively	56,504	54,133
Patents and patent applications, less accumulated amortization of $5,159 and $4,496	11,172	11,610
Investments in licensees and affiliated companies	5,234	5,499
Noncompete agreements, less accumulated amortization of $5,324 and $4,282	851	1,744
Other	4,321	5,610
Total other assets	78,082	78,596
Total assets	$ 304,608	$ 297,852

The accompanying notes are an integral part of these balance sheets.
</TABLE>

<TABLE>
INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS -- AS OF DECEMBER 31, 1998 AND 1997
(In thousands, except share information)

<CAPTIONS> LIABILITIES AND STOCKHOLDERS' EQUITY	1998	1997
<S>	<C>	<C>
CURRENT LIABILITIES:		
Current maturities of long-term debt and notes payable	$ 2,918	$ 2,120
Accounts payable and accruals	45,231	44,870
Total current liabilities	48,149	46,990
LONG-TERM DEBT, less current maturities	112,131	111,440

DEFERRED INCOME TAXES	-	3,258
OTHER LIABILITIES	1,115	1,017
Total liabilities	161,395	162,705
MINORITY INTERESTS	3,708	3,645
STOCKHOLDERS' EQUITY:		
Preferred stock, undesignated, $.10 par shares authorized 2,000,000; none outstanding	-	-
Common stock, $.01 par shares authorized 40,000,000; shares outstanding 27,302,304 and 27,214,718	273	272
Additional paid-in capital	68,931	68,119
Retained earnings	86,355	68,468
	155,559	136,859
Treasury stock 991,701 and 255,801 shares	(13,097)	(3,269)
Cumulative foreign currency translation adjustments	(2,957)	(2,088)
Total stockholders' equity	139,505	131,502
Total liabilities and stockholders' equity	$ 304,608	$ 297,852

The accompanying notes are an integral part of these balance sheets.
</TABLE>

<TABLE>

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands, except per share amounts)

<CAPTIONS>

	1998	1997	1996
<S>	<C>	<C>	<C>
REHABILITATION REVENUES	$ 300,958	$ 320,640	$ 289,933
COST OF REHABILITATION	201,056	226,152	201,219
GROSS PROFIT	99,902	94,488	88,714
OPERATING COSTS AND EXPENSES:			
Selling, administrative and general	55,305	57,845	60,181
Strategic marketing and product development	5,909	7,007	7,689
Unusual items	-	4,606	6,498
TOTAL OPERATING COSTS AND EXPENSES	61,214	69,458	74,368
OPERATING INCOME	38,688	25,030	14,346
OTHER (EXPENSE) INCOME:			
Interest expense	(9,099)	(8,750)	(6,223)

Other	2,270	647	1,290
TOTAL OTHER EXPENSE	(6,829)	(8,103)	(4,933)
INCOME BEFORE TAXES ON INCOME	31,859	16,927	9,413
TAXES ON INCOME	13,079	7,067	4,985
INCOME BEFORE MINORITY INTERESTS AND EQUITY IN EARNINGS	18,780	9,860	4,428
MINORITY INTERESTS	(849)	(519)	(377)
EQUITY IN (LOSSES) EARNINGS OF AFFILIATED COMPANIES	(44)	303	441
INCOME BEFORE EXTRAORDINARY ITEM	17,887	9,644	4,492
EXTRAORDINARY ITEM - Loss on early retirement of debt (net of income tax benefits of $142)	-	(225)	-
NET INCOME	$ 17,887	$ 9,419	$ 4,492
EARNINGS (LOSS) PER SHARE OF COMMON STOCK AND COMMON STOCK EQUIVALENTS:			
Net income per common share basic-			
Income before extraordinary item	$ .67	$ .36	$ .17
Extraordinary loss, net of income tax benefits	-	(.01)	-
Net income per common share basic	$ .67	$ .35	$ .17

</TABLE>
<TABLE>

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(In thousands, except per share amounts)
(continued)

<CAPTIONS>

	1998	1997	1996
<S>	<C>	<C>	<C>
Net income per common share dilutive-			
Income before extraordinary item	$ .66	$ .36	$ .17
Extraordinary loss, net of income			

tax benefits	-	(.01)	-
Net income per common share - dilutive	$ .66	$ .35	$ .17

The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands, except number of shares)

<CAPTIONS>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earning	Treasury Stock
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1995	27,104,940	$ 271	$ 67,427	$ 54,557	$ -
Net income	-	-	-	4,492	-
Issuance of common stock upon exercise of options, including income tax benefit of $15	9,391	-	76	-	-

Stock issued in conjunction with litigation settlement	30,000	-	321	-	-
Foreclosure of note receivable from affiliates	-	-	-	-	(3,269)
Cumulative foreign currency translation adjustment	-	-	-	-	-
BALANCE, December 31, 1996	27,144,331	271	67,824	59,049	(3,269)
Net income	-	-	-	9,419	-
Issuance of common stock upon exercise of options	70,387	1	295	-	-
Cumulative foreign currency translation adjustment	-	-	-	-	-
BALANCE, December 31, 1997	27,214,718	272	68,119	68,468	(3,269)
Net income	-	-	-	17,887	-
Issuance of common stock upon exercise of options	87,586	1	812	-	-
Common stock repurchased	-	-	-	-	(9,828)
Cumulative foreign currency translation adjustment	-	-	-	-	-
BALANCE, December 31, 1998	27,302,304	$ 273	$ 68,931	$ 86,355	(13,097)

The accompanying notes are an integral part of these statements.

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands, except number of shares)

(CONTINUED)

	Cumulative Foreign Currency Translation Adjustments	Notes Receivable From Affiliates	Total Stockholders' Equity	Comprehensive Income
<S>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1995	$(1,821)	$ (3,624)	$116,810	$ -
Net income	-	-	4,492	4,492

Issuance of common stock upon exercise of options, including income tax benefit of $15	-	-	76	-
Stock issued in conjunction with litigation settlement	-	-	321	-
Foreclosure of note receivable from affiliates	-	3,624	355	-
Cumulative foreign currency translation adjustment	1,149	-	1,149	1,149
BALANCE, December 31, 1996	(672)	-	123,203	$ 5,641
Net income	-	-	9,419	$ 9,419
Issuance of common stock upon exercise of options	-	-	296	-
Cumulative foreign currency translation adjustment	(1,416)	-	(1,416)	(1,416)
BALANCE, December 31, 1997	(2,088)	-	131,502	$ 8,003
Net income	-	-	17,887	$17,887
Issuance of common stock upon exercise of options	-	-	813	-
Common stock repurchased	-	-	(9,828)	-
Cumulative foreign currency translation adjustment	(869)	-	(869)	(869)
BALANCE, December 31, 1998	$(2,957)	$ -	$139,505	$17,018

The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>
INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(In thousands)

<CAPTIONS>

	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 17,887	$ 9,419	$ 4,492
Adjustments to reconcile net income to net			

cash provided by operating activities-			
Minority interests in net income	849	519	377
Depreciation and amortization	19,095	19,240	19,180
Other	(627)	1,095	1,909
Deferred income taxes	1,174	728	(279)
Equity in earnings (losses) of affiliated companies	44	(303)	(441)
Changes in operating assets and liabilities, net of effects of businesses purchased-			
Receivables	13,247	(5,805)	(8,217)
Inventories	1,049	2,766	(15)
Prepaid expenses and other	1,770	1,032	2,510
Other assets	999	(526)	609
Accounts payable and accruals	69	(993)	8,030
Net cash provided by operating activities	55,556	27,172	28,155
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(13,416)	(16,552	(18,187)
Proceeds from (investments in) licensees and affiliated companies	236	140	(1,141)
Patents and patent application expenditures	(425)	(2,227)	(1,772)
Purchases of businesses, net of cash acquired	(1,451)	-	-
Proceeds on disposal of property and equipment	1,738	426	780
Net cash used in investing activities	(13,318)	(18,213)	(20,320)

(Continued on the following page)

</TABLE>

<TABLE>
<CAPTIONS>

	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	$ 813	$ 296	$ 61
Purchases of treasury stock	(9,828)	-	-
Proceeds from long-term debt	124	110,515	5,868
Principal payments on long-term debt	(1,776)	(87,105)	(11,775)
Minority interests	-	(178)	(562)
(Decrease) increase in short-term borrowings	(565)	(124)	333
Net cash (used in) provided by financing activities	(11,232)	23,404	(6,075)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	164	(105)	300

NET INCREASE IN CASH AND CASH EQUIVALENTS	31,170	32,258	2,060
CASH AND CASH EQUIVALENTS, beginning of year	45,734	13,476	11,416
CASH AND CASH EQUIVALENTS, end of year	$ 76,904	$ 45,734	$ 13,476
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for-			
Interest	$ 9,115	$ 5,849	$ 7,478
Income taxes	13,223	1,686	4,864
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Additional paid-in capital increased by reduction in income taxes payable for tax benefit arising from exercise of stock options	$ -	$ -	$ 15
Deferred consideration for businesses acquired	3,671	-	-
Treasury stock acquired in connection with foreclosure of director note receivable	-	-	3,624
Tax benefit arising from foreclosure of director note receivable	-	-	760
Stock issued in conjunction with litigation settlement	-	-	321

The accompanying notes are an integral part of these statements.
</TABLE>

INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998, 1997 AND 1996

1. DESCRIPTION OF BUSINESS:

Insituform Technologies, Inc. (a Delaware corporation) and subsidiaries (collectively, the "Company" or "ITI") is a worldwide provider of proprietary trenchless technologies for the rehabilitation and improvement of sewer, water, gas and industrial pipes. The Company's primary technology is the Insituform(R) Process, a "cured-in-place" pipeline rehabilitation process. The Company's Tite Liner(R) (Tite Liner) Process is a method of lining steel lines with a corrosion and abrasion resistant pipe. Through its Affholder, Inc. subsidiary, the Company is engaged in trenchless tunneling used in the

installation of new underground services.

2. SUMMARY OF ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, including a 51% owned United Kingdom subsidiary, Insituform Linings, Plc.; a 55% owned Mexican subsidiary, United Pipeline de Mexico, S.A.; a 66% owned French subsidiary, Insituform France, S.A. and an 80% owned French subsidiary, Video Injection SA. All intercompany balances, transactions and stockholdings are eliminated.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Acquisitions

The net assets of businesses acquired and accounted for using the purchase method of accounting are recorded at their fair values at the acquisition dates, and the financial statements include their operations from those dates. Any excess of acquisition costs over the fair value of net assets acquired is included in the balance sheet as goodwill.

Taxes on Income

The Company provides for estimated income taxes payable or refundable on current year income tax returns as well as the estimated future tax effects attributable to temporary differences and carryforwards, based upon enacted tax laws and tax rates.

U.S. and foreign income taxes are not provided on undistributed earnings of foreign subsidiaries where it is the Company's intention to indefinitely reinvest such earnings in the subsidiary's operations and not to transfer them in a taxable transaction.

Foreign Currency Translation

Results of operations for foreign entities are translated using the average exchange rates during the period. Assets and liabilities are translated to U.S. dollars using the exchange rates in effect at the balance sheet date, and the related translation adjustments are reported as a separate component of stockholders' equity.

Cash and Cash Equivalents

The Company classifies highly liquid investments with original maturities of 90 days or less as cash equivalents.

Fair Value of Financial Instruments

Recorded book values are reasonable estimates of fair value for cash and cash equivalents, receivables and accounts payable. Current market values for debt instruments with fixed interest rates are estimated based upon borrowing rates currently available to the Company for loans with similar terms.

Investments

Corporate investments are carried at cost if ownership is less than 20% and on the equity method if the Company's ownership interest is 20% and greater, but not exceeding 50%. Investments in partnerships for which the Company's ownership interest is greater than 20% but less than 50% are accounted for on the equity method. In addition, the Company has accounted for its interest in Midsouth Partners, a domestic partnership 57-1/2% owned by the Company, on the equity method, as a consequence of Midsouth's management in a seven-member management committee controlled by the minority partner.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15-20
Buildings and improvements	5-40
Machinery and equipment	4-10
Furniture and fixtures	3-10
Autos and trucks	3-10

Intangibles

The Company amortizes goodwill over periods not in excess of 25 years on the straight-line basis. Noncompete agreements are amortized on a straight-line basis over the term of the applicable agreements.

Patent costs are amortized on a straight-line basis over the statutory life, normally not exceeding 20 years. Certain of the Company's patents related to the Insituform Process have expired in many countries, including the United States.

Long-Lived Assets

The Company reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered from their undiscounted future cash flows.

Royalty Revenues and License Fees

Royalty revenues are accrued as earned in accordance with the provisions of the license agreements and are recorded based upon reports submitted by the licensees. License fees are recognized as revenues when all material services have been substantially performed.

Construction and Installation Revenues

Construction and installation revenues are recognized using the percentage-of-completion method. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and equipment costs. Changes in estimated total contract costs are recognized in the period they are determined. Where a contract loss is forecast, the full amount of the anticipated loss is recognized in the period the loss is determined.

Earnings Per Share

Earnings per share has been calculated using the following share information:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Weighted average number of common shares used for Basic EPS	26,777,879	26,926,148	27,036,008
Effect of dilutive stock options and warrants	280,180	46,900	76,838
Weighted average number of common shares and dilutive potential common stock used in diluted EPS	27,058,059	26,973,048	27,112,846

</TABLE>

New Accounting Pronouncement

The Company intends to adopt SFAS 133, "Accounting for Derivative Instrument and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities in fiscal 2000. The Company believes

that SFAS 133 will not have a material impact on its results of operations or financial position.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation.

3. BUSINESS ACQUISITIONS:

In March 1998, the Company concluded the acquisition of the entire minority interest in its Chilean subsidiary for an aggregate price of approximately $2.1 million, $1.0 million of which was paid in cash at closing, $0.6 million of which is due at the first anniversary of closing, and the remainder of which is due on the second anniversary of closing. The acquisition resulted in additional goodwill of $1.3 million and a reduction of minority interest of $0.8 million.

In September 1998, the Company completed its acquisition of 80% of the shares (the "Initial Shares") of Video Injection SA ("Video Injection"), a French company that utilizes multifunctional robotic devices developed in connection with the inspection and repair of pipelines. The purchase price for the Initial Shares was 28,000,000FF ($5.0 million), 13,500,000FF ($2.4 million) of which was paid in cash at closing, 7,020,000FF ($1.3 million) of which is due on the first anniversary of closing and 7,480,000FF ($1.3 million) of which is due on the second anniversary of closing, such additional installments are secured by the Company's letter of credit arrangements. On the fifth anniversary of closing (or earlier, in specified events), the Company will purchase the remaining 20% of the shares of Video Injection pursuant to a formula based on Video Injection's

results of operations. The Company has obtained noncompetition agreements from the two principals of Video Injection (who remain employed by Video Injection) that extend three years beyond the period of employment. The purchase price was allocated between tangible assets of $.8 million and goodwill of $4.2 million.

4. UNUSUAL ITEMS:

In 1997, the Company recorded $4.0 million in costs related to further reorganization of pipeline rehabilitation operations and corporate headquarters. These costs consisted primarily of severance, employee moving costs and expenses related to existing facilities and markets.

In 1997, a group, including Jerome Kalishman and Robert Affholder, both directors of the Company, filed an amended Schedule 13D pursuant to the Securities and Exchange Act of 1934 which stated that it was the intention of Messrs. Kalishman and Affholder to propose a slate of individuals to run for election to the Board of Directors of the Company at its 1997 annual meeting of stockholders in opposition to the slate proposed by

the Company in its original proxy statement. The Company and Messrs. Kalishman and Affholder subsequently entered into a settlement agreement to resolve the outstanding proxy contest. The Company incurred costs of $0.6 million (prior to any effect of taxes) related to legal and proxy solicitation expenses.

In 1996, the Company recorded $6.5 million in costs related to the ongoing rationalization of pipeline rehabilitation operations. These costs consisted principally of the write-off of certain assets of the Paltem product line ($3.6 million), charges related to the disposition of excess facilities ($1.4 million), and costs related to reorganization of the North American contracting operations ($1.5 million).

The write-off of the Paltem product line includes $2.8 million of manufacturing and installation equipment that related specifically to the gas distribution main installation market, which the Company has decided not to pursue. The Paltem product line may, however, be used in other markets.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Activity in the allowance for doubtful accounts is summarized as follows for the years ended December 31 (in thousands):

<TABLE>
<CAPTIONS>

	1998	1997	1996
<S>	<C>	<C>	<C>
Balance, at beginning of period	$ 2,587	$ 1,031	$ 974
Charged to expense	1,679	1,658	289
Uncollected balances written off, net of recoveries	(1,357)	(102)	(232)
Balance, at end of period	$ 2,909	$ 2,587	$ 1,031

</TABLE>

6. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS:

Costs and estimated earnings on uncompleted contracts consist of the following at December 31 (in thousands):

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Costs incurred on uncompleted contracts	$ 111,204	$123,808
Estimated earnings	38,460	33,985

	149,664	157,793
Less - Billings to date	(145,278)	(144,794)
	$ 4,386	$ 12,999
Included in the accompanying balance sheets:		
Costs and estimated earnings in excess of billings	$ 9,792	$ 15,551
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 11)	(5,406)	(2,552)
	$ 4,386	$ 12,999

</TABLE>

Costs and estimated earnings in excess of billings represent work performed which either due to contract stipulations or lacking contractual documentation needed, could not be billed. Substantially all unbilled amounts are expected to be collected within one year.

7. INVENTORIES:

Inventories are summarized as follows at December 31 (in thousands):

	1998	1997
Raw materials	$ 1,542	$ 2,127
Work-in-process	2,959	2,896
Finished products	1,144	1,177
Construction materials	5,637	6,014
	$ 11,282	$ 12,214

8. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31 (in thousands):

	1998	1997
Land and land improvements	$ 2,621	$ 2,659
Buildings and improvements	21,928	15,824
Machinery and equipment	81,283	82,630
Furniture and fixtures	8,883	8,820
Autos and trucks	4,822	2,456
Construction in progress	3,731	5,987
	123,268	118,376
Less- Accumulated depreciation	(66,847)	(60,393)
	$ 56,421	$ 57,983

	=========	=========

9. INVESTMENTS IN LICENSEES AND AFFILIATED COMPANIES:

Investments in licensees and affiliated companies consist of the following at December 31 (in thousands):

	1998	1997
Insituform Rohrsanierungstechnik GmbH (50%)	$ 3,120	$ 2,855
Midsouth Partners (57-1/2%)	1,836	2,217
Other 50% owned joint ventures	278	427
	$ 5,234	$ 5,499

Beginning in April 1997, the Company began accounting for its investment in Midsouth Partners on the equity method, as a consequence of the composition of Midsouth's management committee to include a majority of members named by the minority partner.

10. LONG-TERM DEBT AND NOTES PAYABLE:

Long-term debt consists of the following at December 31 (in thousands):

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
LONG-TERM DEBT:		
7.88% senior notes, payable in $15,715 annual installments beginning February 2001 through 2007, with interest payable semiannually	$ 110,000	$ 110,000
DEFERRED PURCHASE CONSIDERATION:		
Promissory notes to minority owners of Video Injection, payable in two installments of FF 7.0 million ($1.2 million) and FF 7.5 million ($1.3 million) on the first and second anniversaries of closing, secured by letter of credit arrangements	2,566	-
Promissory notes to former minority owners of United Sistema de Tuberias Ltda., due in two installments of $0.6 million and $0.5 million on the first and second anniversaries of closing	1,105	-
OTHER NOTES	681	2,329

	114,352	112,329
Less- Current maturities	(2,221)	(889)
	$ 112,131	$ 111,440

</TABLE>

On February 14, 1997, the Company completed a $110 million private debt offering of 7.88% Senior Notes due February 14, 2007 ("Senior Notes"). Interest is payable semiannually in August and February of each year, and each year, from February 2001 to February 2006, inclusive, the Company is required to make principal repayments of $15,715,000, together with an equivalent payment at maturity. The Senior Notes may be prepaid at the Company's option, in whole or in part, at any time, together with a make-whole premium, and upon specified change in control events each holder has the right to require the Company to purchase its Senior Notes without any premium thereon. The agreements obligate the Company to comply with certain financial ratios and restrictive covenants that, among other things, place limitations on operations and sales of assets by the Company or its subsidiaries, and limit the ability of the Company to incur further secured indebtedness and liens. Such agreements also obligate the Company's subsidiaries to provide guarantees to the holders of the Senior Notes if guarantees are given by them to certain other lenders.

Debt issuance costs of $891,000 incurred in connection with the private debt offering were recorded as deferred charges and will be amortized over the life of the Senior Notes.

Costs of approximately $400,000 ($225,000 after tax) associated with a prior credit facility were written off and have been classified as an extraordinary item in the 1997 results of operations.

At December 31, 1998 and 1997, the estimated fair value of the Company's long-term debt was approximately $111.6 million and $118.1 million, respectively.

Principal payments required to be made for each of the next five years and thereafter are summarized as follows (in thousands):

Years ending December 31	Amount
1999	$ 2,221
2000	2,131
2001	15,715
2002	15,715
2003	15,715
After 2003	62,855
Total	$ 114,352

Effective August 20, 1997, the Company entered into a Loan Agreement dated such date (the "Credit Agreement") with NationsBank, N.A. ("NationsBank"), whereby, as amended effective September 15, 1998, NationsBank will make available to the Company, until September 1, 2001 (the "Maturity Date"), a revolving credit line of up to $20,000,000 aggregate principal amount for working capital and permitted acquisitions, including $10,000,000 available for standby and commercial letters of credit, of which $5,774,000 was outstanding at December 31, 1998. Interest on outstanding advances accrues, at the election of the Company, at either the Lender's prime rate, payable monthly, or its LIBOR rate, plus a margin ranging from .5% to 1.5% depending on the maintenance of certain financial ratios, payable at the end of selected interest periods (from one to six months). Outstanding principal is subject to repayment on the Maturity Date, except that advances for permitted acquisitions must be repaid within six months after disbursement.

The Credit Agreement obligates the Company to comply with certain financial ratios and restrictive covenants that, among other things, prohibit dividends and stock repurchases in the event of loan defaults, place limitations on operations and sales of assets by the Company and its subsidiaries, and limit the ability of the Company and its subsidiaries to incur further secured indebtedness and liens and of subsidiaries to incur additional indebtedness. The Credit Agreement also obligates certain of the Company's domestic subsidiaries to guarantee the Company's obligations, as a result of which the same subsidiaries have also delivered their guarantees with respect to the Senior Notes.

The Company has various lines of credit related to its foreign entities. These lines are secured by a parent company guarantee and, in some cases, the entities' real property. Total amounts outstanding at December 31, 1998 and 1997, were $697,000 and $1,231,000, respectively.

11. ACCOUNTS PAYABLE AND ACCRUALS:

Accounts payable and accruals consist of the following at December 31 (in thousands):

<TABLE>
<CAPTIONS>

	1998	1997
<S>	<C>	<C>
Accounts payable - trade	$ 13,471	$ 8,071
Compensation and profit sharing	10,515	11,466
Billings in excess of costs and earnings	5,406	2,552
Interest	3,219	3,232
Accrued litigation and fees	1,914	2,778
Merger and restructuring	1,827	2,464
Taxes	920	3,172
Other	7,959	11,135

$ 45,231	$44,870

</TABLE>

12. STOCKHOLDERS' EQUITY:

Stock Option Plan

Under the 1992 Employee Stock Option Plan and Director Stock Option Plan (the "Plans"), the Company may grant options to its employees and directors not to exceed 1,850,000 and 1,000,000 shares of common stock, respectively. The plans are administered by the Board of Directors which determines the timing of awards, individuals to be granted awards, the number of options to be awarded and the price, vesting schedule and other conditions of the options. The exercise price of each option typically equals the market price of the Company's stock on the date of grant and, therefore, the Company generally makes no charge to earnings with respect to these options. Options generally vest over a four or five year period and have an expiration date of up to five or ten years after grant.

The Company applies APB Opinion No. 25, in accounting for stock option grants. In accordance with SFAS No. 123, the Company has estimated the fair value of each option grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for the grants in 1998, 1997 and 1996, respectively: expected volatility of 46%, 45% and 44%; risk-free interest rates of 5.1%, 5.8% and 6.1%; expected lives of five years and no dividends. Had compensation cost for the stock options granted been determined based on their fair value at the grant dates, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

<TABLE>
<CAPTIONS>

<S>	1998 <C>	1997 <C>	1996 <C>
Net income:			
As reported	$ 17,887	$ 9,419	$ 4,492
Pro forma	16,833	8,867	4,116
Basic earnings per share:			
As reported	.67	.35	.17
Pro forma	.63	.33	.15
Diluted earnings per share:			
As Reported	.66	.35	.17
Pro forma	.62	.33	.15

</TABLE>

Based on the Black-Scholes option-pricing model, the weighted average fair value of options granted in 1998, 1997 and 1996 was $6.48, $4.16 and $3.84, respectively, for options granted at the market price. In 1996, for options granted above market price,

the fair value was $1.82. The following table summarizes information about options outstanding at December 31, 1998:

<TABLE>
<CAPTIONS>

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 1998	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 1998	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 4.32 to 9.79	825,757	6.3 years	$ 8.34	581,317	$ 8.17
$10.00 to $15.00	676,010	5.1 years	$13.15	511,960	$13.03
	1,501,767	5.8 years	$10.51	1,093,277	$10.45

</TABLE>

Changes in options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
Balance, December 31, 1995	1,414,115	$12.90
Granted	325,000	$ 9.14
Exercised	(9,316)	$ 7.92
Canceled	(132,420)	$15.02
Balance, December 31, 1996	1,597,379	$12.22
Granted	568,900	$ 8.75
Exercised	(70,387)	$ 4.24
Canceled	(235,885)	$11.18

Balance, December 31, 1997	1,860,007	$11.59
Granted	306,000	$13.68
Exercised	(87,586)	$ 9.28
Canceled	(576,654)	$15.87
Balance, December 31, 1998	1,501,767	$10.51

At December 31, 1998, 2,850,000 shares of common stock were reserved pursuant to stock option plans.

13. RELATED-PARTY TRANSACTIONS:

During the three years ended December 31, 1998, the Company leased tunnelling equipment from a partnership whose partners consisted of two officers and directors of the Company, one of whom is now deceased. All transactions were made at arm's

length. During 1998, 1997 and 1996, the Company paid the partnership $481,000, $317,000 and $384,575, respectively, under such arrangements.

14. OTHER INCOME (EXPENSE):

Other income (expense) is comprised of the following at December 31 (in thousands):

	1998	1997	1996
Investment income	$ 3,130	$ 1,842	$ 1,059
Provision for excess equipment	-	(722)	-
Other	(860)	(473)	231
	$ 2,270	$ 647	$ 1,290

15. TAXES ON INCOME:

Income (loss) from continuing operations before taxes on income is as follows for the years ended December 31 (in thousands):

	1998	1997	1996
Domestic	$25,803	$ 9,432	$10,182
Foreign	6,056	7,495	(769)
Total	$31,859	$16,927	$ 9,413

Provisions for taxes on income from continuing operations consist of the following components for the years ended December 31 (in thousands):

	1998	1997	1996
Current:			
Federal	$ 6,730	$ 2,498	$ 2,968
Foreign	3,848	3,519	1,708
State	1,327	280	735
	11,905	6,297	5,411
Deferred:			
Federal	1,031	900	1,334
Foreign	(76)	(302)	(569)
State	219	172	(243)
Adjustments to beginning of year valuation allowance	-	-	(948)
	1,174	770	(426)
Total taxes on income	$13,079	$ 7,067	$ 4,985

A reconciliation between the U.S. federal statutory tax rate and the effective tax rate follows:

	1998	1997	1996
Income taxes at U.S. federal statutory tax rate	35.0%	34.0%	34.0%
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal income tax benefit	3.2	1.1	2.6
Tax amortization of intangibles	(2.6)	(4.7)	(8.4)
Goodwill amortization	2.3	3.2	8.2
Effect of foreign income taxed at foreign rates	.3	3.0	7.4
Other	2.9	5.1	9.2
Total taxes on income	41.1%	41.7%	53.0%

Net deferred taxes consist of the following at December 31 (in thousands):

	1998	1997
DEFERRED INCOME TAX ASSETS:		
Foreign tax credits and net operating loss carryforwards	$ 6,123	$ 5,276
Accrued losses and nondeductible reserves	2,160	3,350
Accrued compensation	1,799	1,570
Restructuring provision	219	1,056
Other	1,918	991
Total deferred income tax assets	12,219	12,243

DEFERRED INCOME TAX LIABILITIES:		
Depreciation	(5,268)	(4,041)
Patent defense cost	(1,833)	(1,643)
Other	(1,044)	(1,112)
Total deferred income tax liabilities	(8,145)	(6,796)
DEFERRED TAX ASSET VALUATION ALLOWANCE	(3,066)	(3,266)
Net deferred income tax assets	$1,008	$2,181

Realization of the deferred tax asset is dependent upon generating sufficient taxable income in the applicable jurisdictions and, in some instances, prior to the expiration of the carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be

reduced in the near term if estimates of future taxable income during the carryforward periods, as applicable are reduced.

Subject to the future taxable income on certain of the Company's subsidiaries, the Company has available tax operating loss carryforwards as follows:

Jurisdiction	Amount	Expiration Date
	(in thousands)	
United Kingdom	$11,475	Indefinite
France	254	2001-2002
U.S. State	9,154	2004-2010
U.S. Federal	1,426	2001-2011

16. COMMITMENTS AND CONTINGENCIES:

Leases

The Company leases a number of its administrative operations facilities under noncancellable operating leases expiring at various dates through 2020. In addition, the Company leases certain construction and automotive equipment on a multiyear, monthly or daily basis. Rent expense under all operating leases for 1998, 1997 and 1996 was $6,135,000, $9,960,000 and $8,837,000, respectively.

At December 31, 1998, the future minimum lease payments required under the noncancellable operating leases were as follows (in thousands):

Year Ending December 31	Minimum Lease Payments
1999	$ 3,405
2000	2,419
2001	1,678
2002	1,018
2003	509
After 2003	686
Total	$ 9,715

Minimum payments have not been reduced by minimum sublease rentals of $364,000 due in the future under noncancelable subleases.

Litigation

The Company is involved in certain litigation incidental to the conduct of its business. In the Company's opinion, none of these proceedings will have a material adverse effect on the Company's financial position, results of operations and

liquidity. The financial statements include the estimated amounts of liabilities that are likely to be incurred from these and various other pending litigation and claims.

Retirement Plans

The Company maintains profit sharing/401(k) plans which cover substantially all eligible domestic employees. Company profit sharing contributions are discretionary. Under the terms of its 401(k) features, the plan also provides for the Company to contribute 100% of the participating employee's contribution up to 3% of the employee's salary, and 50% of the next 2% of the employee's salary. Total contributions to the domestic plans were $2,885,000, $2,496,000 and $2,447,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

In addition, certain foreign subsidiaries maintain various other defined contribution retirement plans. Company contributions to such plans for the years ended December 31, 1998, 1997 and 1996, were $103,000, $132,000 and $107,000, respectively.

17. SEGMENT AND GEOGRAPHIC INFORMATION:

During the fourth quarter of 1998, the Company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, and geographic areas. Operating segments are defined as components of an enterprise about which separate

financial information is available and utilized by economic decision-makers in deciding how to allocate resources and in assessing performance.

The Company has principally three operating segments: rehabilitation, tunnelling and corrosion and abrasion operations (Tite Liner). These operating units represent strategic business units that offer distinct products and services and serve different markets.

The following disaggregated financial results have been prepared using a management approach, which is consistent with the basis and manner with which management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. The Company evaluates performance based on standalone operating income.

There were no customers which accounted for more than 10% of the Company's revenues during the three years ended December 31, 1998.

Financial information by segment is as follows at December 31 (in thousands):
<TABLE>

<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues:			
Rehabilitation	$ 225,192	$ 228,072	$ 237,635
Tite Liner	43,430	62,353	28,649
Tunneling	32,336	30,215	23,649
Total revenues	$ 300,958	$ 320,640	$ 289,933
Operating income:			
Rehabilitation	$ 33,439	$ 15,206	$ 9,608
Tite Liner	2,181	7,831	1,440
Tunneling	3,068	1,993	3,298
Total operating income	$ 38,688	$ 25,030	$ 14,346
Total assets:			
Rehabilitation	$ 170,289	$ 155,118	$ 155,442
Tite Liner	25,566	34,419	26,908
Tunneling	15,914	14,189	14,869
Corporate	92,839	94,126	68,283
Total assets	$ 304,608	$ 297,852	$ 265,502

</TABLE>

Financial information by geographic area is as follows at December 31 (in thousands):

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues:			
United States	$ 220,090	$ 225,642	$ 221,334
Europe	32,986	31,216	32,411
South America	19,033	27,205	7,895
Canada	17,850	23,386	15,423
Asia	8,899	9,842	6,858
Other	2,100	3,349	6,012
Total revenues	$ 300,958	$ 320,640	$ 289,933
Operating income:			
United States	$ 30,155	$ 17,227	$ 13,012
Europe	5,473	1,355	(1,288)
South America	736	1,909	(991)
Canada	1,294	3,724	2,066
Asia	1,395	401	386
Other	(365)	414	1,161
Total operating income	$ 38,688	$ 25,030	$ 14,346

Total assets:			
United States	$ 226,851	$ 228,102	$ 204,308
Europe	45,906	33,272	32,611
South America	10,518	12,093	6,263
Canada	16,868	20,179	18,541
Asia	4,048	3,541	3,073
Other	417	665	706
Total assets	$ 304,608	$ 297,852	$ 265,502

<\TABLE.

18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

(In thousands, except per share data)

</TABLE>
<TABLE>
<CAPTIONS>

<S>	1st <C>	2nd <C>	3rd <C>	4th <C>
Year ended December 31, 1998:				
Revenues	$63,760	$75,501	$81,047	$80,650
Operating income	7,017	9,254	11,784	10,633
Net income	3,046	4,409	5,566	4,866
Basic and diluted earnings per share	.11	.16	.21	.18
Year ended December 31, 1997:				
Revenues	$77,082	$75,316	$85,490	$82,752
Operating income	4,050	2,513	9,666	8,801(a)
Income before extraordinary item	1,306	214	4,282	3,842
Extraordinary loss	(225)	-	-	-
Net income	1,081	214	4,282	3,842(a)
Basic and diluted earnings per share:				
Income before extraordinary item	.05	.01	.16	.14
Extraordinary loss	(.01)	-	-	-
Net income	.04	.01	.16	.14

(a) See Note 4 for information relative to unusual charges recorded in 1997.
</TABLE>

INDEX TO EXHIBITS(1)(2)

3.1 - Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3(a) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

3.2 - By-Laws of the Company.

10.1 - Note Purchase Agreements dated as of February 14, 1997 among the Company and, respectively, each of the lenders (the "Noteholders") listed therein (Incorporated by reference to Exhibit

10.6 to the Annual Report on Form 10-K for the year ended December 31, 1996), together with First Amendment dated as of August 20, 1997, Guaranty Agreement dated as of August 20, 1997 by each of the subsidiaries named therein to the Noteholders, and Intercreditor Agreement dated as of August 20, 1997 among NationsBank, N.A. and the Noteholders (Incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

10.2 - Supplement No. 1 dated as of March 31, 1998 to Intercreditor Agreement among NationsBank, N.A. and the Noteholders, together with Guaranty Agreement dated as of March 31, 1998 by Insituform Southwest, Inc. to the Noteholders.

---

(1) The Company's current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.

(2) Pursuant to Reg. Section does not include certain instruments with respect to long-term debt of the Company and its consolidated subsidiaries not exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all long-term debt instruments not filed herewith.

INDEX TO EXHIBITS(1)(2) (Continued)

10.3 - Loan Agreement dated as of August 20, 1997 between NationsBank, N.A. and the Company, together with Unlimited Guaranty dated as of August 20, 1997 by each of the subsidiaries named therein to NationsBank, N.A. and Contribution Agreement dated August 20, 1997 between NationsBank, N.A. and such guarantors (Incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1997) and Amendment No. 1 to Loan Agreement (Incorporated by

reference to Exhibit 10.5 to the Annual Report on Form 10-K for the year ended December 31, 1997).

10.4 - Amendment No. 2 to Loan Agreement dated as of September 15, 1998 between NationsBank, N.A. and the Company, together with Joinder to Unlimited Guaranty and Contribution Agreement dated as of March 31, 1998 by Insituform Southwest, Inc. to NationsBank, N.A.

10.5 - Agreement dated July 25, 1997 among Jerome Kalishman, Nancy F. Kalishman, Robert W. Affholder, Xanadu Investments L.P., The Jerome and Nancy Kalishman Family Fund, Paul A. Biddelman, Stephen P. Cortinovis, Anthony W. Hooper, Silas Spengler, Sheldon Weinig and Russell B. Wight, Jr. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K dated July 25, 1997), together with Amendment No. 1 thereto (Incorporated by reference to Exhibit 10(d) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

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(1) The Company's current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.

(2) Pursuant to Reg. Section does not include certain instruments with respect to long-term debt of the Company and its consolidated subsidiaries not exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all long-term debt instruments not filed herewith.

INDEX TO EXHIBITS(1)(2) (Continued)

10.6 - Severance Agreement dated as of June 19, 1997 between the Company and Anthony W. Hooper (Incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).(3)

10.7 - Employment Letter dated July 15, 1998 between the Company and Anthony W. Hooper (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on

Form 10-Q for the quarter ended September 30, 1998).(3)

10.8 - Employment Agreement dated October 25, 1995 between the Company and Robert W. Affholder (Incorporated by reference to Exhibit 2(d) to the Current Report on Form 8-K dated October 25, 1995).(3)

10.9 - Amendment No. 1 dated as of October 25, 1998 to Employment Agreement between the Company and Robert W. Affholder.(3)

10.10 - Letter agreement dated as of February 9, 1999 between the Company and Thomas N. Kalishman.(3)

10.11 - Severance Agreement dated as of June 19, 1997 between the Company and William A. Martin (Incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q for the period ended June 30, 1997).(3)

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(1) The Company's current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.

(2) Pursuant to Reg. Section does not include certain instruments with respect to long-term debt of the Company and its consolidated subsidiaries not exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all long-term debt instruments not filed herewith.

(3) Management contract or compensatory plan or arrangement.

INDEX TO EXHIBITS(1)(2) (Continued)

10.12 - Letter agreement dated as of October 9, 1998 between the Company and William A. Martin, together with notice of even date therewith from Mr. Martin to the Company.(3)

10.13 - Severance Agreement dated as of June 19, 1997 between the Company and Robert L. Kelley (Incorporated by reference to Exhibit 10(c) to the Quarterly Report on Form 10-Q for the period ended

June 30, 1997).(3)

10.14 - Severance Agreement dated as of March 14, 1999 between the Company and Robert L. Kelley, together with letter agreements dated, respectively, November 6, 1998 and December 18, 1998 between the Company and Mr. Kelley and notice dated as of October 9, 1998 from Mr. Kelley to the Company.(3)

10.15 - Equipment Lease dated as of October 10, 1989 between A-Y-K-E Partnership and Affholder, Inc. (Incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the year ended December 31, 1995).

10.16 - 1992 Employee Stock Option Plan of the Company (Incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the year ended December 31, 1997).(3)

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(1) The Company's current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.

(2) Pursuant to Reg. Section does not include certain instruments with respect to long-term debt of the Company and its consolidated subsidiaries not exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all long-term debt instruments not filed herewith.

(3) Management contract or compensatory plan or arrangement.

INDEX TO EXHIBITS(1)(2) (Continued)

10.17 - 1992 Director Stock Option Plan of the Company (Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the year ended December 31, 1997).(3)

10.18 - Insituform Mid-America, Inc. Stock Option Plan, as amended (Incorporated by reference to Exhibit 4(i) to the Registration Statement on Form S-8 No. 33-63953).(3)

10.19 - Senior Management Voluntary Deferred Compensation Plan of the Company.(3)

10.20 - Form of Directors' Indemnification Agreement (Incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K for the year ended December 31, 1988).(3)

21 - Subsidiaries of the Company.

23 - Consent of Arthur Andersen LLP.

24 - Power of Attorney (See "Power of Attorney" in the Annual Report on Form 10-K).

27 - Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.

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(1) The Company's current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.

(2) Pursuant to Reg. Section does not include certain instruments with respect to long-term debt of the Company and its consolidated subsidiaries not exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all long-term debt instruments not filed herewith.

(3) Management contract or compensatory plan or arrangement.

Exhibit 3.2

BY-LAWS

OF

INSITUFORM TECHNOLOGIES, INC.

(as amended through February 16, 1999)

ARTICLE I - OFFICES

The principal offices of the corporation in the State of Delaware shall be located in the City of Dover, County of Kent. The Corporation may have such other offices, either within or without the State of incorporation as the board of directors may designate or as the business of the corporation may from time to time require.

ARTICLE II - STOCKHOLDERS

1. ANNUAL MEETING.

The annual meeting of the stockholders shall be held at such time and upon such date during the month of June in each year as the Board of Directors may determine, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday such meeting shall be held on the next succeeding business day.

2. SPECIAL MEETINGS.

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by either the chairman of the board, the president or by the directors, and shall be called by the president at the request of the holders of not less than fifty per cent of all the outstanding shares of the Corporation entitled to vote at the meeting.

3. PLACE OF MEETING.

The directors may designate any place, either within or without the State unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting called by the directors. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place, either within or without the state unless otherwise prescribed by statute, as the place for holding such meeting. If no designation

is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the corporation.

4. NOTICE OF MEETING.

Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of either the chairman of the board, the president, the secretary, or the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the corporation, with postage thereon pre-paid.

5. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.

For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than sixty days and, in case of a meeting of stockholders, not less than ten days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

6. VOTING LISTS.

The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the principal office of the corporation and shall be subject to inspection by any

stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders

entitled to examine such list or transfer books or to vote at the meeting of stockholders.

7. QUORUM.

At any meeting of stockholders a majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If less than said number of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

8. PROXIES.

At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting.

9. VOTING.

Each stockholder entitled to vote in accordance with the terms and provisions of the certificate of incorporation and these by-laws shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such stockholders. Upon the demand of any stockholder, the vote for directors and upon any question before the meeting shall be by ballot. All elections for directors shall be decided by plurality vote; all other questions shall be decided by majority vote except as otherwise provided by the Certificate of Incorporation or the laws of this State.

10. ORDER OF BUSINESS.

The order of business at all meetings of the stockholders, shall be as follows:

1. Roll call.

2. Proof of notice of meeting or waiver of notice.

3. Reading of minutes of preceding meeting.

4. Reports of Officer.

5. Reports of Committees.

6. Election of Directors.

7. Unfinished Business.

8. New Business.

11. BUSINESS AT MEETINGS.

Subsequent to the 1999 annual meeting of stockholders, no business shall be transacted at an annual meeting of stockholders other than business that is (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (iii) otherwise properly brought before the annual meeting by a stockholder who (x) is a stockholder of record on the record date for the determination of stockholders entitled to vote at such annual meeting and on the date of the giving of the notice provided for in this Section 11 and (y) complies with the procedures set forth in this Section 11 and any other applicable requirements. No business shall be conducted at a special meeting of stockholders other than business that is specified in the corporation's notice of meeting (or any supplement thereto). In addition, subsequent to the 1999 annual meeting of stockholders only persons who are nominated in accordance with the procedures set forth in this Section 11 (and any other applicable requirements) shall be eligible for election as directors of the corporation. If business is not properly brought before any meeting of stockholders in accordance with the procedures set forth in this Section 11, or if a nomination at any meeting was not made in accordance with the requirements of this Section 11, the chairman shall declare to the meeting that the business was not properly brought before the meeting, and such business shall not be transacted, or the nomination was defective, and such defective nomination shall be disregarded.

Subsequent to the 1999 annual meeting of stockholders, nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting: (i) by or at the direction of the Board of Directors (or any duly authorized

committee thereof), subject to the requirements of these By-laws, or (ii) by any stockholder who (x) is a stockholder of record on the record date for the determination of stockholders entitled to vote at such annual meeting and on the date of the giving of the notice provided for in this Section 11 and (y) has complied with the procedures set forth in this Section 11.

For a stockholder to be entitled to properly bring business before an annual meeting of stockholders subsequent to the 1999 annual meeting of stockholders, a proper Stockholder's Notice (as

defined below) must have been received by the secretary of the corporation at the principal executive offices of the corporation, and for any nomination of a person or persons for election to the Board of Directors by a stockholder (a "Stockholder Nomination") to be made at any annual meeting of stockholders subsequent to the 1999 annual meeting of stockholders, written notice thereof meeting the requirements set forth below must have been received by the secretary of the corporation at the principal executive offices of the corporation, in each case not less than 90 days nor more than 120 days prior to the first anniversary of the date of the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days compared to the preceding year's annual meeting, notice by the stockholder to be timely must be so received not later than the close of business on the later of (i) the ninetieth (90th) day prior to such annual meeting or (ii) the tenth (10th) day following the day on which public disclosure (as defined below) of the date of the annual meeting is first made.

For a Stockholder Nomination to be made at any special meeting of stockholders as aforesaid, written notice thereof meeting the requirements set forth below must have been received by the secretary of the corporation at the principal executive offices of the corporation, in each case not later than the close of business on the later of (i) the ninetieth (90th) day prior to such special meeting or (ii) the tenth (10th) day following the day on which public disclosure of the date of the special meeting is made.

A Stockholder's Notice shall mean a written notice to the secretary of the corporation which sets forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting (including the form of the proposal) and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the corporation that are owned beneficially or of record by such stockholder, indicating the name and address of any beneficial owner of such shares, (iv) a description of all arrangements or understandings between such stockholder (and any person acting on behalf of the stockholder)

and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Any notice of a Stockholder Nomination must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the corporation that are owned

beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as then in effect (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the corporation that are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

For purposes of this Section 11, "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

ARTICLE III - BOARD OF DIRECTORS

1. GENERAL POWERS.

The business and affairs of the corporation shall be

managed by its board of directors. The directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the corporation, as they may deem proper, not inconsistent with these by-laws and the laws of this State.

2. NUMBER OF DIRECTORS, TENURE AND QUALIFICATIONS.

The Board of Directors shall consist of eight (8) directors, provided that the size of the Board of Directors shall increase automatically, without any further amendment to this Section 2, to nine (9) directors upon the election or appointment of the Additional Nominee (as defined in that certain Agreement, dated July 25, 1997, among the corporation, Jerome Kalishman, Nancy F. Kalishman, The Jerome and Nancy Kalishman Family Fund, Robert W. Affholder, Xanadu Investments, L.P., Paul A. Biddelman, Stephen P.

Cortinovis, Anthony W. Hooper, Silas Spengler, Sheldon Weinig and Russell B. Wight, Jr., as it may be amended from time to time (the "Agreement")) contemplated by, and selected in accordance with, the provisions of the Agreement. Such directors (except as hereinafter provided for the filling of vacancies) shall be elected in accordance with the Corporation's Certificate of Incorporation by the stockholders by a plurality vote of the number of shares voting at the meeting at which such election shall take place.

3. REGULAR MEETINGS.

A regular meeting of the directors, shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of stockholders. The directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

4. SPECIAL MEETINGS.

Special meetings of the directors may be called by or at the request of the president, the Chairman of the Board, or any two directors. The person or persons authorized to call special meetings of the directors may fix the place either within or without the state or country, for holding any special meeting of the directors called by them.

5. NOTICE.

Notice of any special meeting shall be given at least 24 hours previously thereto by written notice delivered personally, or by telegram or telecopy or mailed to each director at his residence or business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed,

with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

6. QUORUM.

At any meeting of the directors a majority shall constitute a quorum for the transaction of business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

7. MANNER OF ACTING.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors.

8. NEWLY-CREATED DIRECTORSHIPS AND VACANCIES.*

Any vacancy on the board of directors and any newly-created directorship resulting from an increase in the number of directors may be filled by the directors in accordance with the Corporation's Certificate of Incorporation and Section 14 of this Article III.

9. REMOVAL OF DIRECTORS.

Any or all of the directors may be removed only for cause by vote of the stockholders.

10. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

11. COMPENSATION.

The Board of Directors shall have the authority to fix the compensation of directors. Nothing herein shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing

committees may be allowed compensation for attending committee meetings.

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* as amended by the Board of Directors on October 26, 1998 subject to the approval and authorization by the stockholders of the Corporation; prior to such action, Section 8 read as follows:

"8. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Any vacancy on the Board of Directors and any newly created directorship resulting from an increase in the number of directors may be filled by the directors in accordance with the Corporation's Certificate of Incorporation."

12. PRESUMPTION OF ASSENT.

A director of the corporation who is present at a meeting of the directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action. 13. EXECUTIVE AND OTHER COMMITTEES.

The board, by resolution, may designate from among its members an executive committee and other committees, each consisting of one or more directors. Each such committee shall serve at the pleasure of the board.

14. NOMINATING COMMITTEE*

Effective immediately subsequent to the 1999 annual meeting of stockholders, the board shall designate a nominating committee consisting of three directors who shall serve at the pleasure of the board, the functions of which shall include establishing criteria for the selection of the nominees for election as directors, reviewing the qualifications of and maintaining information concerning potential nominees, making appropriate recommendations to the Board with respect to nominees for election as directors at the annual meeting of stockholders, reviewing on a long-term basis the size and composition of the board, and, as vacancies occur on the board between annual

meetings, establishing procedures for stockholders to submit and said Committee to review proposed nominations. The board shall not, subsequent to the 1999 annual meeting of the stockholders, nominate any person not then serving as a director for election as a director, or fill any vacancy on the board with any person, unless such person is either (i) recommended to the board by said Committee or (ii) approved by the unanimous vote of the members of the board of directors. The presence of all members of said Committee shall be necessary to constitute a quorum and to transact business, and the act of the majority of the members at a meeting at which a quorum is present shall be the act of said Committee. Meetings of said Committee may be called by any member thereof, upon written or oral notice of such meeting given to each member at lest 24 hours prior thereto. The Chairman of the Board shall preside at all meetings of said Committee.

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* Section 14 was adopted by the Board of Directors on October 26, 1998, as amended February 16, 1999, subject to the approval and authorization by the stockholders of the Corporation

15. NOTICE AND APPROVAL OF CERTAIN ACTIONS

Notwithstanding any other provision of these By-laws (and except for the implementation of Sections 2(a), (b), (c) and (e) and Section 6 of the Agreement): (a) in the event that any director proposes to bring before any regular or special meeting of the Board of Directors any proposal relating to any amendment of the Corporation's Certificate of Incorporation or these By-laws or the Agreement (as defined in Article III, Section 2), or any change in the structure, composition (other than such director's resignation) or governance of the Board of Directors (any such action being referred to herein as a "Special Action"), such director must provide written notice thereof (including a reasonably detailed description of such proposal) to each member of the Board of Directors at least seven days prior to the date of the directors' meeting at which the Special Action is to be proposed; and (b) the taking of any Special Action by the Board of Directors must be approved by a majority of all directors then serving; provided, however, that no Special Action which would have any effect prior to the 1999 annual meeting of the stockholders may be taken if such Special Action would conflict with, have the effect of modifying or otherwise frustrating any provision of the Agreement, including, without limitation, any amendment to Article SIXTH of the Corporation's Certificate of Incorporation or Section 2 of this Article III, as such provisions will be in effect pursuant to the Agreement following the 1997 annual meeting of the stockholders.

ARTICLE IV - OFFICERS

1. NUMBER.

The officers of the corporation shall be a chairman of the board, a vice chairman of the board,a president, one or more senior vice presidents, one or more vice presidents, a secretary and a treasurer, each of whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors. In addition, the President may from time to time appoint such officers of operating divisions, and such contracting and attesting officers, of the corporation as he may deem proper, who shall have such authority, subject to the control of the directors, as the President may from time to time prescribe.

2. ELECTION AND TERM OF OFFICE.

The officers of the corporation to be elected by the directors shall be elected annually at the first meeting of the directors held after each annual meeting of the stockholders. Each officer elected by the directors shall hold office until his successor shall have been duly elected and shall have qualified or, if earlier, until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Each officer of

the corporation appointed by the President shall hold office for such period as the President may from time to time prescribe or, if earlier, until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

3. REMOVAL.

Any officer elected or appointed by the directors, or any officer appointed by the President, may be removed by the directors whenever in their judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract, if any, of the person so removed. Any officer appointed by the President may be removed by the President whenever in his judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract, if any, of the person so removed.

4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise of an officer elected or appointed by the directors may be filled by the directors for the unexpired portion of the term. A vacancy in any office because of death, resignation, removal, disqualification or otherwise of any officer appointed by the President may be filled by the President for the unexpired portion of the term.

4A. CHAIRMAN OF THE BOARD.

The Chairman of the Board shall preside, when present, at all meetings of the Board of Directors and at all meetings of the stockholders and will perform such other duties as may be prescribed from time to time by the Board or these By-laws.

4B. VICE CHAIRMAN OF THE BOARD.

In the absence of the Chairman of the Board or in the event of his death, inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the Chairman of the Board and, when so acting, shall have all the powers of and be subject to all the restrictions on the Chairman of the Board. The Vice Chairman of the Board shall perform such other duties as may be prescribed from time to time by the Board or these by-laws. Notwithstanding any other provisions of these By-laws, the Vice Chairman of the Board, acting in any capacity, shall not have the power to call any special meeting of the Stockholders.

5. PRESIDENT.

The President shall be the chief executive officer of the corporation and, subject to the control of the Board of Directors, shall have general and active management of the business of the corporation, and shall see that all orders and resolutions of the

Board and stockholders are carried into effect. He shall have the general authority to execute bonds, deeds and contracts, in the name of the corporation and affix the corporate seal thereto; to sign stock certificates; to cause the employment or appointment of such employees and agents of the corporation as the proper conduct of operations may require, and to fix their compensation, subject to the provisions of these By-laws; to remove or suspend any employee or agent who shall have been employed or appointed under his authority or under authority of an officer subordinate to him; and, in general, to exercise all the powers and authority usually appertaining to the chief executive officer of a corporation.

6. VICE-PRESIDENT.

In the absence of the president or in the event of his death, inability or refusal to act, one of the vice-presidents designated by the directors shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-president shall perform such other duties as from time to time may be assigned to him by the president or by the directors.

7. SECRETARY.

The secretary shall keep the minutes of the stockholders' and of the directors' meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these by-laws or, as required, be custodian of the corporate records and of the seal of the corporation and keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder, have general charge of the stock transfer books of the corporation and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the directors.

8. TREASURER.

If required by the directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for monies due and payable to the corporation from any source, whatsoever, and deposit all such monies in the name of corporation in such banks, trust companies or other depositories as shall be selected in accordance with these by-laws and in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the directors.

9. SALARIES.

The salaries of those officers elected or appointed by the directors shall be fixed from time to time by the directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V - CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. CONTRACTS.

The directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances. The President may authorize any contracting officer appointed by him pursuant to Section 1 of Article IV to enter into any pipeline rehabilitation contract in the ordinary course of business of the corporation, or execute and deliver any instrument in connection therewith, in the name and on behalf of the corporation.

2. LOANS.

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the directors. Such authority may be general or confined to specific instances.

3. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the directors.

4. DEPOSITS.

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the directors may select.

ARTICLE VI - CERTIFICATES FOR SHARES AND THEIR TRANSFER

1. CERTIFICATES FOR SHARES.

Certificates representing shares of the corporation shall be in such form as shall be determined by the directors. Such certificates shall be signed by any of the chairman of the board, or the president, as authorized by the directors and the secretary, or such other officers authorized by law and by the directors. All certificates for shares shall be consecutively numbered or

otherwise identified. The name and address of the stockholders, the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the directors may prescribe.

2. TRANSFERS OF SHARES.

(a) Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate; every such transfer shall be entered on the transfer book of the corporation which shall be kept at its

principal office.

(b) The corporation shall be entitled to treat the holder of record of any share as the holder in fact thereof, and, accordingly, shall not be bound to recognized any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the laws of this state.

ARTICLE VII - FISCAL YEAR

The fiscal year of the corporation shall begin on the first day of January in each year.

ARTICLE VIII - DIVIDENDS

The directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law.

ARTICLE IX - SEAL

The directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, year of incorporation and the words, "Corporate Seal".

ARTICLE X - WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any stockholder or director of the corporation under the provisions of these by-laws or under the provisions of the articles of incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice,

whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI - AMENDMENTS*

Except as otherwise provided by law, the Board of Directors may adopt, alter, amend or repeal the by-laws of the Corporation, provided, however, that the stockholders, representing a majority of all the shares issued and outstanding at any annual stock holders' meeting or at any special stockholders' meeting, may repeal, alter or amend by-laws adopted by the Board or Directors and may adopt new by-laws; provided, further, however, that the size of the Board of Directors, as set forth in Section 2 of Article III, may only be amended by a vote of at least 80% of the members of the Board of Directors or by a vote of the stockholders, representing a majority of all of the shares issued and

outstanding, at any annual stockholders' meeting or at any special stockholders' meeting provided, further, however, that the provisions of Sections 8 and 14 of Article III may only be amended by a unanimous vote of the members of the board of directors or by a vote of the stockholders, representing a majority of all of the shares issued and outstanding, at any annual stockholders' meeting or at any special stockholders' meeting.

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* the final proviso of Article XI was added by the Board of Directors on October 26, 1998 subject to the approval and authorization by the stockholders of the Corporation

Exhibit 10.2

SUPPLEMENT NO. 1 TO INTERCREDITOR AGREEMENT

This Supplement No. 1 dated as of this 31st day of March, 1998 to the Intercreditor Agreement dated as of August 20, 1997 (the "Intercreditor Agreement") is made among the Lender (as hereinafter defined), and each of the Noteholders (as hereinafter defined); the Noteholders, the Lender and each of the additional Persons, if any, that become Creditors under the Intercreditor Agreement are individually referred to as a "Creditor" and are collectively referred to herein as the "Creditors."

RECITALS:

A. Under and pursuant to the separate and several Note Purchase Agreements, each dated as of February 14, 1997 (as such agreements may have been or may be modified or amended from time to time, collectively, the "Note Purchase Agreements"), between Insituform Technologies, Inc., a Delaware corporation (the "Company"), and each of the Purchasers named on Schedule A attached thereto respectively, the Company has heretofore issued and sold its 7.88% Senior Notes, Series A, due February 14, 2007, in the aggregate principal amount of $110,000,000 (the holders of the Notes currently outstanding are referred to herein individually as a "Noteholder" and collectively as the "Noteholders").

B. Under and pursuant to that certain Loan Agreement dated as of August 20, 1997 (as such agreement may have been or may be modified, amended, renewed or replaced, including any increase in the amount thereof, the "Loan Agreement"), between the Company and NationsBank, N.A. (the "Lender"), the Lender has made available to the Company certain revolving credit facilities in a current aggregate principal amount up to $20,000,000 (all obligations in respect of said credit facilities being hereinafter collectively referred to as the "Loans").

C. The Lender and the Noteholders have heretofore entered into the Intercreditor Agreement.

D. As required by the Loan Agreement, Insituform Southwest, Inc., a Delaware corporation (the "Additional Subsidiary Guarantor") and successor-in-interest to Insituform Southwest, has concurrently herewith executed and delivered a Joinder to Unlimited Guaranty and Contribution Agreement (as such agreement may be modified or amended from time to time, the "Additional Lender Guaranty"), dated as of March 31, 1998, pursuant to which the Additional Subsidiary Guarantor has irrevocably, absolutely

and unconditionally guaranteed to the Lender the payment and performance of all obligations of the Company under the Loan Agreement.

E. As required by the Note Purchase Agreements, the Additional Subsidiary Guarantor has concurrently herewith executed and delivered a Guaranty Agreement (as such agreement may be modified or amended, the "Additional Noteholder Guaranty"), dated as of March 31, 1998, pursuant to which the Additional Subsidiary Guarantor has irrevocably, absolutely and unconditionally guaranteed to the Noteholders the payment of the principal of, premium, if any, and interest on the Notes and the payment and performance of all other obligations of the Company under the Note Purchase Agreements.

F. Pursuant to the requirements of the Loan Agreement and the Note Purchase Agreements, the parties have agreed to enter into this Supplement No. 1, so as to require of the Creditors the sharing of any recovery under the Additional Lender Guaranty and the Additional Noteholder Guaranty in accordance with the terms of the Intercreditor Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

2. Effective as of the date hereof, for purposes of the Intercreditor Agreement: (i) the term "Subsidiary Guarantors" shall include the Additional Subsidiary Guarantor; (ii) the term "Lender Guaranty" shall include the Additional Lender Guaranty; and (iii) the term "Noteholder Guaranty" shall include the Additional Noteholder Guaranty.

3. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

4. Except as modified by this Supplement No. 1, all terms, conditions and covenants contained in the Intercreditor Agreement are hereby ratified and shall remain in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

NATIONSBANK, N.A.

By s/Emil A. Krueger

Its Vice President

THE SECURITY MUTUAL LIFE INSURANCE COMPANY OF LINCOLN, NEBRASKA

By s/William R. Schmeeckle

Its 2nd Vice President

RELIASTAR LIFE INSURANCE COMPANY

By s/James V. Wittich

Its Authorized Representative

NORTHERN LIFE INSURANCE COMPANY

By s/James V. Wittich

Its Assistant Treasurer

RELIASTAR UNITED SERVICES LIFE INSURANCE COMPANY

By s/James V. Wittich

Its Assistant Treasurer

RELIASTAR BANKERS SECURITY LIFE INSURANCE COMPANY

By s/James V. Wittich

Its Vice President, Investments

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By s/Richard A. Strait

Its Authorized Representative

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By s/Shabnam P. Miglani

Its Counsel

By s/Kent T. Kelsey

Its Counsel

ALLSTATE LIFE INSURANCE COMPANY

By s/Charles D. Mires

By s/Ronald A. Mendel

Authorized Signatories

THE LIBERTY CORPORATION (as transferee of PIERCE NATIONAL LIFE INSURANCE COMPANY)

By s/Douglas W. Kroske

Its Authorized Officer

ALEXANDER HAMILTON LIFE INSURANCE COMPANY OF AMERICA

By s/John C. Ingram

Its Senior Vice President

JEFFERSON-PILOT LIFE INSURANCE COMPANY

By s/Robert E. Whalen

Its Vice President

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts

By: CIGNA Investments, Inc.

By s/Daniel E. Feder

Its Vice President

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY (as transferee of CONNECTICUT GENERAL LIFE INSURANCE COMPANY)

By s/J.Steven Staggs

Its Vice President

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc.

By s/Daniel E. Feder

Its Vice President

CIGNA PROPERTY AND CASUALTY INSURANCE COMPANY

By: CIGNA Investments, Inc.

By s/Daniel E. Feder

Its Vice President

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA Investments, Inc.

By s/Daniel E. Feder

Its Vice President

The undersigned hereby acknowledge and agree to the foregoing Supplement No. 1.

INSITUFORM TECHNOLOGIES, INC.

By s/William A. Martin

AFFHOLDER, INC.
INA ACQUISITION CORP.
INSITUFORM CENTRAL, INC.
INSITUFORM GULF SOUTH, INC.

Its Senior Vice President -
Chief Financial Officer

INSITUFORM OF NEW ENGLAND, INC.

By s/William A. Martin

Its Treasurer and Clerk

INSITUFORM MID-AMERICA, INC.
INSITUFORM MIDWEST, INC.
INSITUFORM MISSOURI, INC.
INSITUFORM NORTH, INC.
INSITUFORM NORTH AMERICA CORP.
INSITUFORM PLAINS, INC.
INSITUFORM ROCKIES, INC.
INSITUFORM SOUTHEAST, INC.
INSITUFORM SOUTHWEST, INC.
INSITUFORM TEXARK, INC.
INSITUFORM WEST, INC.
NUPIPE, INC.
UNITED PIPELINE SYSTEMS USA, INC.

By s/William A. Martin

Vice President of each of the
foregoing entities

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GUARANTY AGREEMENT

Dated as of March 31, 1998

By

Insituform Southwest, Inc.

Re: $110,000,000 7.88% Senior Notes, Series A,
Due February 14, 2007,
of
INSITUFORM TECHNOLOGIES, INC.

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TABLE OF CONTENTS

(Not a part of the Agreement)

GUARANTY AGREEMENT

Re: $110,000,000 7.88% Senior Notes, Series A, Due February 14, 2007, of INSITUFORM TECHNOLOGIES, INC.

This GUARANTY AGREEMENT (the or this "Guaranty") is dated as of March 31, 1998 and given by Insituform Southwest, Inc., a corporation organized under the laws of the State of Delaware (the "Guarantor").

RECITALS:

A. The Guarantor is a Subsidiary of Insituform Technologies, Inc., a Delaware corporation (the "Company").

B. The Company has entered into separate and several Note Purchase Agreements each dated as of February 14, 1997 (collectively, the "Note Purchase Agreements"), between the Company and each of the Purchasers named on Schedule A attached to the Note Purchase Agreements (together with their successors and assigns, the "Noteholders"), providing for, among other things, the issue and sale by the Company to the Noteholders of $110,000,000 aggregate principal amount of its 7.88% Senior Notes, Series A, due February 14, 2007 (the "Notes").

C. Certain Subsidiaries of the Company (the "Other Guarantors") entered into a Guaranty Agreement dated as of August 20, 1997 in which they irrevocably, absolutely and unconditionally guaranteed to the Noteholders the payment of the principal of, premium, if any, and interest on the Notes and the payment and performance of all other obligations of the Company under the Note Purchase Agreements.

D. Pursuant to Section 9.8 of the Note Purchase Agreements, upon which the Noteholders relied at the time of the original issuance of the Notes, and upon which each subsequent holder of the Notes relied at the time of its subsequent acquisition of the Notes, the Company is required to cause the Guarantor to enter into this Guaranty.

E. The Guarantor is part of an affiliated group of corporations with the Company and it will receive substantial direct and indirect benefit by reason of the original issue and sale by the Company of the Notes.

NOW, THEREFORE, in consideration of the premises and in further consideration of the sum of Ten Dollars ($10.00) paid to the Guarantor by the Noteholders, the receipt whereof is hereby acknowledged, the Guarantor does hereby covenant and agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned thereto in the Note Purchase Agreements and such definitions shall be equally applicable to both the singular and plural forms of any of the terms so defined.

SECTION 2. GUARANTY OF NOTES AND NOTE AGREEMENT.

(a) Subject to Section 2(b) below, the Guarantor does hereby irrevocably, absolutely and unconditionally guaranty unto the Noteholders (i) the full and prompt payment of the principal of, premium, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, premium, if any, or interest at the rate set forth in the Notes) in coin or currency of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (ii) the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owned by the Company under the terms of the Notes and the Note Purchase Agreements, and (iii) the full and prompt payment, upon demand by any Noteholder of all costs and expenses, legal or otherwise (including reasonable attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Notes or the Note Purchase Agreements or in the protection or enforcement of any rights, privileges or liabilities under this

Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective of the validity, regularity, or enforcement of any of the Notes or the Note Purchase Agreements or any of the terms thereof or of any other like circumstance or circumstances.

(b) The obligations of the Guarantor hereunder shall be limited to the lesser of (i) the obligations of the Company guaranteed hereunder, or (ii) a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), if and to the extent the Guarantor (or a trustee on its behalf) has properly invoked the protections of the Fraudulent Transfer Laws in each case after giving effect to all other liabilities of the Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guaranty of payment and performance and the Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Purchase Agreements be brought against the Company or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Noteholder may, at its option, proceed hereunder against the Guarantor in the first instance to collect monies when due, the payment of which is guaranteed hereby, without first proceeding against the Company, any of the Other Guarantors, or any other Person and without first resorting to any direct or indirect security for the Notes or for this Guaranty or any other remedy. The liability of the Guarantor hereunder shall in no way be affected or impaired by any acceptance by any Noteholder of any direct or indirect security for, or other guaranties of, any indebtedness, liability or obligation of the Company, any of the Other Guarantors, or any other Person to any Noteholder or by any failure, delay, neglect or omission by the Noteholder to realize upon or protect any such indebtedness, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Noteholder.

SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) The Guarantor hereby consents and agrees that any Noteholder or Noteholders from time to time, with or without any further notice to or assent from the Guarantor, may, without in any manner affecting the liability of the Guarantor under this

Guaranty, upon such terms and conditions as any such Noteholder may deem advisable:

(i) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any indebtedness, liability or obligation of the Company or any other Person secondarily or otherwise liable for any indebtedness, liability or obligations of the Company on the Notes, or waive any Default with respect thereto, or waive, modify, amend or change any provision of any other instruments and this Guaranty; or

(ii) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Noteholder as direct or indirect security for the payment or performance of any indebtedness, liability or obligation of the Company or any other Person secondarily or otherwise liable for any indebtedness, liability or obligation of the Company on the Notes; or

(iii) settle, adjust or compromise any claim of the Company against any other Person secondarily or otherwise liable for any indebtedness, liability or obligation of the Company on the Notes.

The Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that the Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

(b) The Guarantor hereby waives, to the fullest extent permitted by law: (i) notice of acceptance of this Guaranty by the Noteholders or of the creation, renewal or accrual of any liability of the Company, present or future, or of the reliance of such Noteholders upon this Guaranty (it being understood that every indebtedness, liability and obligation described in Section 1 shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty); (ii) demand of payment by any Noteholder from the Company, any of the Other Guarantors, or any other Person indebted in any manner on or for any of the indebtedness, liabilities or obligations hereby guaranteed; and (iii) presentment for the payment by any Noteholder or any other Person of the Notes or any other instrument, protest thereof and notice of its dishonor to any

party thereto and to the Guarantor. The obligations of the Guarantor under this Guaranty and the rights of any Noteholder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) The obligations of the Guarantor hereunder shall be binding upon the Guarantor and its successors and assigns, and shall remain in full force and effect irrespective of:

(i) the genuineness, validity, regularity or enforceability of the Notes, the Note Purchase Agreements or any other instruments relating thereto or any of the terms of any thereof, the continuance of any obligation on the part of the Company, any of the Other Guarantors, or any other Person on the Notes or under the Note Purchase Agreements or the power or authority or the lack of power or authority of the Company to issue the Notes or execute and deliver the Note Purchase Agreements or to perform any of its obligations

thereunder or the existence or continuance of the Company, any of the Other Guarantors, or any other Person as a legal entity; or

(ii) any default, failure or delay, willful or otherwise, in the performance by the Company, any of the Other Guarantors, or any other Person of any obligations of any kind or character whatsoever of the Company, any of the Other Guarantors, or any other Person (including, without limitation, the obligations and undertakings of the Company, any of the Other Guarantors, or any other Person under the Notes or the Note Purchase Agreements); or

(iii) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company, any of the Other Guarantors, or any other Person or in respect of the property of the Company, any of the Other Guarantors, or any other Person or any merger, consolidation, reorganization, dissolution, liquidation or winding up of the Company, any of the Other Guarantors, or any other Person; or

(iv) impossibility or illegality of performance on the part of the Company, any of the Other Guarantors, or any other Person of its obligations under the Notes, the Note Purchase Agreements, this Guaranty or any other instruments; or

(v) in respect of the Company, any of the Other Guarantors, or any other Person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Company, any of the Other Guarantors, or any other Person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Company, any of the Other Guarantors, or any other Person and whether or not of the kind hereinbefore specified; or

(vi) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person, or any claims, demands, charges or Liens of any nature, foreseen

or unforeseen, incurred by any Person, or against any sums payable under this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(vii) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by any party of its respective obligations under the Notes, the Note Purchase Agreements or any instrument relating thereto; or

(viii) the failure of the Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(ix) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of Default and of nonpayment, any failure to give notice to the Guarantor of failure of the Company, any of the Other Guarantors, or any other Person to keep and perform any obligation, covenant or

agreement under the terms of the Notes or the Note Purchase Agreements or failure to resort for payment to the Company, any of the Other Guarantors, or any other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

(x) the acceptance of any additional security or other guaranty, the advance of additional money to the Company, any of the Other Guarantors, or any other Person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes or the Note Purchase Agreements, or the sale, release, substitution or exchange of any security for the Notes; or

(xi) any defense whatsoever that the Company, any of the Other Guarantors, or any other Person might have to the payment of the Notes (principal, premium, if any, or interest), other than payment in cash thereof, or to the performance or observance of any of the provisions of the Note Purchase Agreements, whether through the satisfaction or purported satisfaction by the Company, any of the Other Guarantors, or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding up or otherwise; or

(xii) any act or failure to act with regard to the Notes, the Note Purchase Agreements or anything which might vary the risk of the Guarantor; or

(xiii) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Guarantor in respect of the obligations of the Guarantor under this Guaranty;

provided, that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment of the principal of, premium, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase Agreements, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Purchase Agreements, as amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder

as and when, from time to time, the Company shall Default under the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given Default or Defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent Default.

(d) Subject to the provisions of the Note Purchase Agreements, all rights of any Noteholder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note whether with or without the consent of or notice to the Guarantor under this Guaranty or the Company.

(e) To the extent of any payments made under this Guaranty, the Guarantor shall be subrogated to the rights of the Noteholder upon whose Note such payment was made, but the Guarantor covenants and agrees that such right of subrogation shall be subordinate in right of payment to the rights of any Noteholder for which full payment has not been made or provided for and, to that end, the Guarantor agrees not to claim or enforce any such right of subrogation or any right of set-off or any other right which may arise on account of any payment made by the Guarantor in accordance with the provisions of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Noteholder or Noteholders against the Company, whether or not such claim, remedy or right arises in equity or under contract, statute or common

law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right unless and until 366 days after all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully paid and discharged. If any amount shall be paid to the Guarantor in violation of the preceding sentence at any time prior to the indefeasible cash payment in full of the Notes and all other amounts payable under the Note Purchase Agreements and this Guaranty, such amounts shall be held in trust for the benefit of the Noteholders and shall forthwith be paid to the Noteholders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Purchase Agreements and this Guaranty, whether matured or unmatured. The Guarantor acknowledges that it has received direct and indirect benefits from the financing arrangements contemplated by the Note Purchase Agreements and that the waiver set forth in this subsection is knowingly made as a result of the receipt of such benefits.

(f) The Guarantor agrees that to the extent the Company, any of the Other Guarantors, or any other Person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded or is required to be retained by or repaid to a trustee, liquidator, receiver, or any other Person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Guarantor's obligations hereunder, as if said payment had not been made. The liability of the Guarantor hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Noteholder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other Person.

(g) No Noteholder shall be under any obligation (i) to marshal any assets in favor of the Guarantor or in payment of any or all of the liabilities of the Company under or in respect of the Notes or the obligations of the Guarantor hereunder or (ii) to pursue any other remedy that the Guarantor may or may not be able to pursue itself and that may lighten the Guarantor's burden or any right which the Guarantor hereby expressly waives.

(h) The obligations of the Guarantor with respect to the guaranty and all other obligations under this Guaranty of the Guarantor are direct and unsecured obligations of the Guarantor ranking pari passu as against the assets of the Guarantor and pari

passu with all other present and future Indebtedness of the Guarantor which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Note Purchase Agreements securing other Indebtedness).

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR.

The Guarantor represents and warrants to you as follows:

(a) Organization; Power and Authority. The Guarantor is duly organized, validly existing and, if a corporation, in good standing under the laws of its jurisdiction of incorporation and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse

Effect. The Guarantor has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Guaranty and to perform the provisions hereof.

(b) Authorization, etc. This Guaranty has been duly authorized by all necessary corporate or other action under its organizational and governing instruments on the part of the Guarantor, and this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Compliance with Laws, Other Instruments, etc. (1) The execution, delivery and performance by the Guarantor of this Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Guarantor or any subsidiary thereof under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Guarantor or any subsidiary thereof is bound or by which the Guarantor or any subsidiary thereof or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Guarantor or any subsidiary thereof or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the

Guarantor or any subsidiary thereof, other than any contravention, breach, default, creation, conflict or violation under clauses (i) through (iii), inclusive, of this Section 5(c) which individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(2) All obligations of the Guarantor under this Guaranty are direct and unsecured obligations of the Guarantor ranking pari passu with all other existing unsecured Indebtedness of the Guarantor (actual or contingent) which is not expressed to be subordinated or junior in rank to any other unsecured Indebtedness of the Guarantor.

(d) Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with,

any Governmental Authority is required in connection with the execution, delivery or performance by the Guarantor of this Guaranty.

SECTION 6. GUARANTOR COVENANTS.

Section 6.1. Compliance with Law. The Guarantor will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws and ERISA, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.2. Insurance. The Guarantor will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 6.3. Maintenance of Properties. The Guarantor will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective Material properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times;

provided that this Section shall not prevent the Guarantor or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Guarantor has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.4. Payment of Taxes and Claims. The Guarantor will and will cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises,

to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Guarantor or any subsidiary thereof; provided that neither the Guarantor nor any subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Guarantor or such subsidiary on a timely basis in good faith and in appropriate proceedings, and the Guarantor or a subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Guarantor or such subsidiary or (b) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 6.5. Corporate Existence, etc. The Guarantor will at all times preserve and keep in full force and effect its corporate or other existence, except to the extent otherwise permitted by the Note Purchase Agreements. The Guarantor will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries and all rights and franchises of the Guarantor and its Subsidiaries unless, in the good faith judgment of the Guarantor, the termination of or failure to preserve and keep in full force and effect such right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 7. SUBMISSION TO JURISDICTION.

The Guarantor hereby irrevocably submits and consents to the nonexclusive jurisdiction of the Federal court located within the Northern District of the State of Illinois (or if such court lacks jurisdiction, the state courts located therein) and irrevocably agrees that all actions or proceedings relating to this Guaranty may be litigated in such courts, and the Guarantor waives any objection which it may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of process be made by delivery to it at the address set forth in Section 9 or to its agent referred to below at such agent's address set forth below and that service so made shall be deemed to be completed upon actual receipt. The

Guarantor hereby irrevocably appoints the Company as its agent for the purpose of accepting service of any process within the State of Illinois. Nothing contained in this Section 7 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against the Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

SECTION 8. JUDGMENTS.

The Guarantor agrees that any payment made by the Guarantor to any Noteholder or for the account of any such Noteholder in respect of any amount required to be paid by the Guarantor in lawful currency of the United States of America, which payment is made in any currency other than lawful currency of the United States of America, whether pursuant to any judgment or order of the court or tribunal or otherwise, shall constitute a discharge of the obligations of the Guarantor only to the extent of the amount of lawful currency of the United States of America which may be purchased with such other currency on the day of payment. The Guarantor covenants and agrees that it shall, as a separate and independent obligation, which shall not be merged in any such judgment or order, pay or cause to be paid the amount not so discharged and required to be paid in lawful currency of the United States of America.

SECTION 9. NOTICES.

All communications provided for herein shall be in writing, and (a) if to the Company or the Guarantor, delivered or mailed prepaid by registered or certified mail or express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), or (b) if to any Noteholder, delivered or mailed prepaid by express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), in any case at the addresses set forth below, or to such other address as such person may designate to the other persons named below by notice given in accordance with this Section 9:

If to any Noteholder:	To its address for notices appearing in Schedule A to the Note Purchase Agreements or in any written notice provided by any Noteholder to the Company in accordance with the Note Purchase Agreements, as the case may be
If to the Guarantor:	c/o Insituform Technologies, Inc. 702 Spirit 40 Park Drive Chesterfield, Missouri 63005 Attention: President
If to the Company:	Insituform Technologies, Inc. 702 Spirit 40 Park Drive Chesterfield, Missouri 63005 Attention: President

SECTION 10. AMENDMENTS AND MODIFICATIONS;

SOLICITATION OF NOTEHOLDERS.

(a) This Guaranty may only be amended and/or modified by an instrument in writing signed by the Guarantor and by the Noteholder or Noteholders of at least 66 2/3% in aggregate principal amount of the Notes then outstanding; provided, that without the written consent of the Noteholders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall be effective which will reduce the scope of the guaranty set forth in this Guaranty or amend the requirements of Sections 2, 3, 4 or 8 hereof or amend this Section 10. No such amendment or modification shall extend to or affect any obligation not expressly amended or modified or impair any right consequent thereon.

(b) The Guarantor agrees that it will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Guaranty, the Note Purchase Agreements or the Notes unless each Noteholder (irrespective of the amount of Notes then owned by it) shall be informed thereof by the Guarantor and shall be afforded the opportunity of considering the same for a period of not less than 30 days and shall be supplied by the Guarantor with a brief statement regarding the reasons for any such proposed waiver or amendment, a copy of the proposed waiver or amendment and such other information regarding such amendment or waiver as any Noteholder shall reasonably request to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or amendment effected pursuant to the provisions of this Section 10 shall be delivered by the Guarantor to each Noteholder of outstanding Notes within 30 days following the date on which the same shall have been executed and delivered by the holder or holders of the requisite percentage of the outstanding Notes. The Guarantor agrees that it will not, directly or indirectly, pay or cause to be paid yearly remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Noteholder as consideration for or as an inducement to the entering into by any Noteholder of any waiver or amendment of any of the terms and provisions of this Guaranty, the Note Purchase Agreements or the Notes unless such remuneration is concurrently paid, on the same terms, ratably to the Noteholders of all of the Notes then outstanding.

SECTION 11. PROCEEDS.

Each beneficiary of this Guaranty by its acceptance hereof agrees that any proceeds recovered hereunder will be shared pro rata among each beneficiary hereunder or under any other guaranty of the Guarantor.

SECTION 12. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Noteholder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Noteholder to exercise any remedy reserved to it under this Guaranty, it shall not be necessary for such Noteholder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) In case any one or more of the provisions contained in this Guaranty shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

(c) This Guaranty shall be binding upon each of the undersigned Guarantors and its respective successors and assigns and shall inure to the benefit of each Noteholder and its Successors and assigns so long as its Note remains outstanding and unpaid.

(d) The Guarantor hereby agrees that the obligations of the Guarantor hereunder are joint and several with the obligations of any other guarantor of all or any portion of the indebtedness guaranteed hereby.

(e) This Guaranty shall be governed by and construed in accordance with Illinois law, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed by an authorized officer as of the 31st day of March, 1998.

INSITUFORM SOUTHWEST, INC.

By s/William A. Martin

Its Vice President

Acknowledged By:

INSITUFORM TECHNOLOGIES, INC.

By s/William A. Martin

Its Senior Vice President
Chief Financial Officer

Exhibit 10.4

SECOND AMENDMENT
to
LOAN AGREEMENT

This SECOND AMENDMENT to LOAN AGREEMENT (this Amendment) has been entered into by and between INSITUFORM TECHNOLOGIES, INC. as Borrower and NATIONSBANK, N.A. as Lender.

Recitals:

A. Borrower and Lender are parties to that certain Loan Agreement effective as of August 20, 1997; as amended by Amendment No. One thereto effective as of August 30, 1997 (collectively the "Original Loan Agreement").

B. Borrower has requested that Lender extend the Maturity Date under the Original Loan Agreement and effect certain other amendments thereto, and Lender has agreed to do so on the terms and conditions contained herein.

Amendment

Therefore, in consideration of the mutual agreements herein and other sufficient consideration, the receipt of which is hereby acknowledged, Borrower and Lenders hereby agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined herein have the meanings given them in the Original Loan Agreement. All references to the Agreement or the Loan Agreement in the Original Loan Agreement and in this Amendment, and in the other Loan Documents, shall be deemed to be references to the Original Loan Agreement as it is amended hereby and as it may be further amended, restated, extended, renewed, replaced, or otherwise modified from time to time. Each reference in the Loan Agreement to "the Agreement", "hereunder", "hereof", "herein", or words of like import, shall be read as referring to the Loan Agreement as amended by this Amendment.

2. Conditions to Effectiveness of Amendment. This Amendment shall be effective as of September 15, 1998 (the "Amendment Effective Date"), provided that Borrower has executed and delivered to Lender an Amendment and Attachment to Note in the form of Exhibit A hereto.

3. Amendments.

3.1. The first sentence of Section 6.1 of the Original Loan

Agreement is replaced with the following:

"Borrower shall repay the Revolving Loan and all unpaid accrued interest thereon on September 1, 2001."

3.2. The number "$5,000,000" in clause (i) Section 3.2 of the Original Loan Agreement is replaced with the words "$10,000,000 in Dollar Equivalent Amount" and the following sentence is added at the end of Section 3.2 of the Original Loan Agreement: "If as of the last day of any fiscal quarter of Borrower the Dollar Equivalent Amount of the Letter of Credit Exposure exceeds $10,000,000 or the Dollar Equivalent Amount of the sum of the Letter of Credit Exposure plus the Revolving Loan exceeds the amount of the Revolving Commitment, Borrower shall either (i) provide cash collateral satisfactory to Lender, and/or (ii) if the Revolving Loan is not then zero, make a principal payment thereon, sufficient in the aggregate to cover the amount Letter of Credit Exposure equal to such excess."

3.3. The following sentence is added at the beginning of Section 17.1 of the Original Loan Agreement:

"Borrower covenants and agrees that, until Final Payment (and after any reinstatement as contemplated in Section 8.4), the provisions of Sections 17.2 through 17.5 shall apply."

3.4. The last sentence of Section 12.1 of the Original Loan Agreement is amended to read as follows:

"In the case of any conflict between such agreement and this Agreement, this Agreement shall be controlling; .and any definition of Event of Default or Default contained in such agreement shall be deemed superseded by the definitions of Event of Default and Default herein; and any requirement in such agreement to grant a security interest shall be subject to the prohibitions in Section 16.3 hereof and in Sectin 10.5 of the Note Purchase Agreement."

3.5. The definition of Fixed Charges in Section 17.1 of the Original Loan Agreement is amended to read as follows:

'Fixed Charges' means, for any period of calculation, the sum of (i) interest expense, (ii) the sum of all scheduled principal payments on any long-term Indebtedness of Borrower (including the Revolving Loan and other current maturities of long term Indebtedness), (iii) federal, state and local income tax expense, (iv) scheduled payments on Capital Leases, and (v) dividends paid, all as accrued in such period."

3.6. Section 17.3 is amended to read as follows:

"17.3 Minimum Tangible Net Worth. Borrower's Tangible Net Worth as of the end of each fiscal quarter of Borrower ended after the Effective Date shall not be less than $50,000,000 plus (i) the sum of (a) 50% of net income (but not any net loss) for each fiscal quarter ended after the Effective Date

and (b) the amount of the net proceeds received in cash by Borrower in each fiscal quarter of Borrower ended after the Effective Date from the issuance of equity securities (other than in connection with any employee benefit plan or compensatory arrangement), minus (ii) the amount expended by Borrower in each fiscal quarter of Borrower ended after the Effective Date to repurchase its outstanding stock to the extent such expenditure does not cause the amount of all such expenditures after the Effective Date to exceed $15,000,000."

3.7. The following definitions are added in Exhibit 2.1 to the Original Loan Agreement:

"Determination Date Exchange Rate -- (i) in the case of any Letter of Credit whose face amount is denominated in an Offshore Currency, the Spot Rate of Exchange as of the date two Business Days preceding the date such Letter of Credit is to be issued, (ii) in the case of a drawing under a Letter of Credit whose face amount is denominated in an Offshore Currency, the Spot Rate of Exchange as of the date of such drawing, and (iii) in any other case in which the value in Dollars of an Offshore Currency must be determined hereunder as of any date, the Spot Rate of Exchange two Business Days preceding such date, or if such Spot Rate of Exchange cannot be determined by Lender, the rate of exchange of such Offshore Currency into Dollars as reported in the most recent edition of the Wall Street Journal.

Dollar Equivalent Amount -- (i) with respect to any amount denominated in Dollars, such amount, or (ii) with respect to any amount denominated in an Offshore Currency, the equivalent amount in Dollars based on the applicable Determination Date Exchange Rate as determined by Lender.

Offshore Currency-any currency other than Dollars.

Spot Rate of Exchange -- the spot exchange rate determined by Lender in accordance with its usual procedures for the purchase by Lender of Dollars with such Offshore Currency at approximately 10:00 A.M. in Charlotte, North Carolina, on the applicable Business Day for determining such rate as provided herein."

4. Representations and Warranties of Borrower. Borrower represents and warrants to Lender as of the date hereof that (i) this Amendment has been duly authorized by all requisite corporate action, (ii) since the date Borrower last delivered to Lender copies of Borrower's Certificate of Incorporation and Bylaws, Borrower's Certificate of Incorporation and Bylaws have not been amended, restated or otherwise modified (except for such amendments delivered to Lender contemporaneously herewith), (iii) no consents are necessary from any third Person for Borrower's execution, delivery or performance of this Amendment which have

not been obtained, (iv) this Amendment constitutes the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws related to creditors rights generally or by the application of equity principles, (v) except as set forth in the Disclosure Schedule attached to the Loan Agreement, as supplemented by the disclosure schedules heretofore delivered by Borrower to Lender with its Compliance Certificates and the disclosure schedule attached to this Amendment as Exhibit B, the representations and warranties in the Loan Agreement were true and correct when made and are true and correct in all material respects as of the date hereof, and (vi) there exists no Default or Event of Default under the Loan Agreement.

5. Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement, any of the other Loan Documents or any existing Default or Event of Default.

6. Reaffirmation. Borrower hereby acknowledges and confirms that (a) the Loan Agreement and other Loan Documents remain in full force and effect, (b) Borrower has no defenses to its obligations under the Loan Agreement and the other Loan Documents, and (c) Borrower has no claim against Lender arising from or in connection with the Loan Agreement or the other Loan Documents.

7. Governing Law. This Amendment has been executed and delivered in St. Louis, Missouri, and shall be governed by and construed under the laws of the State of Missouri without giving effect to choice or conflicts of law principles thereunder.

8. Section Titles. The section titles in this Amendment are for convenience of reference only and shall not be construed so as to modify any provisions of this Amendment.

9. Counterparts; Facsimile Transmissions. This Amendment may be executed in one or more counterparts and on separate counterparts,

each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Amendment may be given by facsimile or other electronic transmission, and such signatures shall be fully binding on the party sending the same.

10. Incorporation By Reference. Lender and Borrower hereby agree that all of the terms of the Loan Documents are incorporated in and made a part of this Amendment by this reference.

11. Statutory Notice. The following notice is given pursuant to Section 432.045 of the Missouri Revised Statutes; nothing contained in such notice will be deemed to limit or modify the terms of the Loan Documents or this Amendment:

> ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (LENDER(S)) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

Borrower and Lender hereby affirm that there is no unwritten oral credit agreement between Borrower and Lender with respect to the subject matter of this amendment.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the Amendment Effective Date.

INSITUFORM TECHNOLOGIES, INC.	NATIONSBANK, N.A.
by its Senior Vice President	by its Vice President
Name: s/William A. Martin	Name: s/
----------	----------

EXHIBIT A

Form of Amendment and Attachment to Note

AMENDMENT AND ATTACHMENT TO NOTE

This is an amendment to the Revolving Note (the Note) from Insituform Technologies, Inc. (Borrower) to NationsBank, N.A.

(Lender) dated August 20, 1997, in the original principal amount of $20,000,000 and shall be attached thereto, but the failure to so attach this amendment shall not invalidate this amendment or the Note.

The date upon which the outstanding principal amount of the Note and all unpaid interest accrued thereon is fully due and payable is extended to September 1, 2001.

Executed and effective as of September 15, 1998

INSITUFORM TECHNOLOGIES, INC.
by its
_____

Name:
_____

EXHIBIT B

Supplemental Disclosure Schedule

As of September 15, 1998, the following changes to Subsidiaries should be made to item 13.18 of the Disclosure Schedule:

1. The name "Insituform Central, Inc." has been changed to "Insituform Technologies USA, Inc."

2. The equity owner of Insituform France S.A. set forth under said item should be changed from Insituform Technologies, Inc. to INA Acquisition Corp.

3. The equity owner of Insituform West, Inc. set forth under said item should be changed from INA Acquisition Corp. to Insituform Technologies, Inc.

4. INA Acquisition Corp. has acquired 80% of the equity of Video Injection S.A.R.L., organized in France.

Effective December 31, 1998, the following Subsidiaries should be deleted from item 3.18 of the Disclosure Schedule:

Name of Subsidiary	Jurisdiction of Organization

E-Midsouth, Inc.	Florida
Insituform Gulf South, Inc.	Delaware
Insituform Mid-America, Inc.	Delaware
Insituform Midwest, Inc.	Delaware
Insituform Missouri, Inc.	Delaware
Insituform of New England, Inc.	Massachusetts
Insituform North, Inc.	Delaware
Insituform de Puerto Rico, Inc.	Delaware
Insituform Rockies, Inc.	Delaware
Insituform Southeast, Inc.	Florida
Insituform Texark, Inc.	Delaware
Insituform Licensees B.V., Inc.	Delaware
Insituform Plains, Inc.	Delaware
Insituform Mar-Tech Limited	Alberta

JOINDER TO UNLIMITED GUARANTY
AND CONTRIBUTION AGREEMENT

This Joinder to Unlimited Guaranty and Contribution Agreement (this "Joinder") is executed by Insituform Southwest, Inc. (Joining Guarantor), a Delaware corporation.

Recitals

A. NationsBank, N.A. (Lender) has made available to Insituform Technologies, Inc. a revolving credit facility under a Loan Agreement dated effective August 20, 1997 (as the same may hereafter be renewed, extended, amended, restated, replaced or otherwise modified from time to time, the Loan Agreement), and the Loan Documents defined therein, including an Unlimited Guaranty of the full and prompt payment of all of the Loan Obligations and all costs of collection thereof (the Guaranty) and a Contribution Agreement among the parties to the Guaranty (the Contribution Agreement).

B. The Loan Agreement requires that certain Subsidiaries, as defined in the Loan Agreement, who were not original parties to the Guaranty must execute and deliver to Lender a joinder to the Guaranty satisfactory to Lender. Lender and Joining Guarantor also deem it advisable for Joining Guarantor to join in the Contribution Agreement.

C. Joining Guarantor acknowledges that it is a Subsidiary that is obligated under the terms of the Loan Agreement to execute such a joinder and that its failure to do so as required under the terms of the Loan Agreement would constitute an Event of Default under the Loan Agreement.

Agreement

Therefore, Joining Guarantor acknowledges and agrees as follows:

1. Defined Terms. Capitalized terms used and not otherwise defined in this Joinder have the meanings defined in the Guaranty or the Contribution Agreement, as applicable.

2. Joinder to Guaranty. By execution of this Joinder, Joining Guarantor guaranties to Beneficiary, jointly and severally with the other Guarantors and as provided in the Guaranty, the full and prompt payment and performance of the Loan Obligations (whenever arising, including those existing on the date hereof) and all costs of collection thereof, including reasonable attorneys' fees and expenses (whether or not there is litigation), court costs and all costs in connection with any proceedings under the United States Bankruptcy Code (collectively, as defined in the Guaranty, the Guarantied Obligations). Joining Guarantor further agrees and acknowledges that by execution of this Joinder, Joining Guarantor

is obligated as a Guarantor under the Guaranty to the same extent as if Joining Guarantor had executed the Guaranty itself, that there is no limit on the Guarantied Obligations, that the guaranty by Joining Guarantor is a continuing, absolute and unconditional guaranty of payment and performance and not merely of collection, that Joining Guarantor's liability with respect to the Guarantied Obligations is primary, not secondary. and that, upon the occurrence of any Event of Default and at any time thereafter, Beneficiary may proceed directly against any Guarantor without first proceeding against Borrower, any other Person liable for the payment or performance of the Guarantied Obligations, or any Collateral or other security for the Guarantied Obligations. All of the terms of the Guaranty are incorporated herein by this reference. Joining Guarantor acknowledges that it has received a copy of the Guaranty, has had the opportunity to discuss it with counsel, and has read and fully understands its provisions.

3. Joinder to Contribution Agreement. Also by execution of this Joinder, Joining Guarantor agrees and acknowledges that Joining Guarantor has become a party to the Contribution Agreement and is obligated thereunder as a Contributor to the same extent as if Joining Guarantor had executed the Contribution Agreement itself.

4. Representations and Warranties. Joining Guarantor hereby makes the same representations and warranties to Beneficiary as were made by each other Guarantor in the Guaranty, but as of the date hereof.

This Joinder is executed and effective as of March 31, 1998.

Insituform Southwest, Inc.
By its Vice President

s/William A. Martin

Printed Name: William A. Martin

Accepted:
NationsBank, N.A.

s/Emil A. Krueger, V.P.

Printed Name: Emil A. Krueger

Affholder, Inc.
Insituform Central, Inc.
Insituform Mid-America, Inc.
Insituform Missouri, Inc.
INA Acquisition Corp.
Insituform Gulf South Inc.
Insituform Midwest, Inc.
Insituform of New England, Inc.
Insituform North, Inc.
Insituform Plains, Inc.
Insituform Southeast, Inc.
Insituform Texark, Inc.
Insituform Rockies, Inc.
Insituform West, Inc.
NuPipe, Inc.
United Pipeline Systems USA, Inc.

By: s/William A. Martin

Printed Name: William A. Martin

Exhibit 10.9

Amendment No. 1 dated as of October 25, 1998 to Agreement dated as of October 25, 1995 (the "Original Agreement") between Insituform Technologies, Inc., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as the "Corporation") and Robert W. Affholder (hereinafter referred to as the "Employee").

W I T N E S S E T H

WHEREAS, the parties have entered into the Original Agreement and desire to effectuate the amendments thereto hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Paragraph B of Section I of the Original Agreement is hereby amended by deleting the reference to "all of his business time to the performance thereof" and substituting therefor a reference to "an amount of his time substantially equal to one-half of the time devoted to performance hereunder from the date of this Agreement through December 31, 1998".

2. Paragraph A of Section II of the Original Agreement is hereby amended by deleting the reference to "for a period of three years thereafter" and substituting therefor a reference to "until December 31, 1999."

3. Paragraph A of Section III of the Original Agreement is hereby amended by deleting the reference to "an annual salary of $250,000" and substituting therefor a reference to "an annual salary of $125,000".

4. Paragraph A of Section VI of the Original Agreement is hereby amended by deleting the reference to "1770 Kirby Parkway, Suite 300, Memphis, Tennessee 38138" and substituting therefor a reference to "702 Spirit 40 Park Drive, Chesterfield, Missouri 63005".

5. Except as set forth herein, the Original Agreement shall remain in full force and effect and continue to bind the parties hereto. This Amendment No. 1 contains the entire agreement of the parties with respect to the subject matter herein and supersedes all other understandings, oral or written, with respect thereto. This Amendment No. 1 may be executed in counterparts, each of which shall be deemed an original and both of which shall

constitute one and the same agreement.

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 1 as of the effective date first-above written.

INSITUFORM TECHNOLOGIES, INC.

By s/Anthony W. Hooper

EMPLOYEE:

s/Robert W. Affholder

Robert W. Affholder

Exhibit 10.10

February 9, 1999

Mr. Thomas Kalishman
8020 Daytona Drive
St. Louis, MO 63105

Dear Tom:

The following describes our agreement regarding salary, benefits and other financial compensation to be provided to you as you transition from a company employee to a Member of the Company Board of Directors.

SALARY CONTINUATION

To assist you during the transitional period, the Company will continue your salary for a period ending on June 30, 1999 ("Salary Continuation Period").

VACATION

You will not be entitled to any vacation, vacation pay, or pay in lieu of vacation after December 31, 1998.

BONUS

You will receive your earned bonus for 1998 per the Company plan to be paid when disbursed to like employees.

OTHER COMPENSATION

You will be paid a lump sum payment on July 1, 1999 of $40,000 to cover other expenses that you have had or may incur during your transition period.

HEALTH AND LIFE INSURANCE BENEFITS

A. Medical and Dental

Your General American Medical Insurance Plan and your dental benefits will continue during the Salary Continuation Period

for the same employee premium that you currently are paying. Beginning July 1, 1999, you will be offered extended medical insurance to be paid at your expense for up to an additional 18 months under the Consolidated Budget Reconciliation Act (COBRA). Cost for this extension will be at 102% of the

premium cost to cover the benefit expense and administrative costs. Conversion to COBRA must be effected June 30,1999.

B. Life, Accidental Death & Dismemberment and Long-Term Disability

Life and Accidental Death and Dismemberment Insurance will be provided during the Salary Continuation Period and will cease when the Salary Continuation Period ceases. Disability Benefits will cease on December 31, 1998. Buck Fetters will provide life insurance conversion information to you.

401(k) PROFIT SHARING

You may continue contributions during your Salary Continuation Period, however you will not be eligible for the Company match in 1999. Thereafter, as a participant in the 401(k) Profit Sharing Plan, you will receive a notice of the options that are available regarding the distribution of your accounts. Buck Fetters can assist you with any questions regarding your 401(k) Profit Sharing Plan and the health and life insurance benefits. You will receive 1998 401K matching and profit sharing, if paid to employees.

CAR ALLOWANCE

Your car allowance will be discontinued after the February payment of $728.00.

STOCK OPTIONS

You have 15,000 options to purchase Company common stock at $8.75/share under the Employee Stock Option Plan. Of these options, 40%, or 6,000 shares, are now Avested@ and available to exercise. The Company will appoint you as an officer of an appropriate subsidiary to ensure that your Employee Stock Options may continue for the balance of the option grant period.

COMPANY PROPERTY

All company property issued to you such as facility office keys, company telephone credit cards, confidential documents, plans, manuals, etc. are to be returned to me on or prior to February 15, 1999. Ownership of the computer and Palm Pilot will be transferred to you June 30, 1999, at no cost to you. Your e-mail will be forwarded through June 30, 1999 to an Internet address

that you will specify.

OUTSTANDING EXPENSE REPORTS

Any outstanding employee expense reports, including the report for the January San Diego conference, should be sent to me for approval prior to February 15, 1999. An extra expense lump-sum payment will be issued.

CONFIDENTIALITY/NON-DISCLOSURE/NON-COMPETITION AGREEMENTS

You are reminded of your obligations under the CONFIDENTIALITY AND NON-COMPETITION AGREEMENTS and will be asked to sign a reaffirmation statement as part of the exiting process, which should take place not later than January 31, 1999.

BOARD COMPENSATION AND DUTIES

So long as you receive Salary Continuation, you will not be eligible for the retainer and meeting fees paid to members of the Board. When your Salary Continuation Period ends, you will be paid a prorated annual retainer for the balance of 1999, as well as receive fees for Board and Committee meetings which take place subsequent to the end of your Salary Continuation. The Directors receive a $16,000 annual retainer, payable in equal quarterly installments on the first day of each calendar quarter. Board members are also paid $1,500 per meeting conducted primarily through attendance by directors in person, whether the director attends in person or by telephone. Directors receive $750 per Board meeting conducted principally by telephone, and $750 for each meeting of the Board Committees on which they serve and which meeting is conducted in conjunction with a Board meeting. $1,500 will be paid for any Committee meeting held independently of a Board meeting.

If you are required to travel to a Board meeting, or if I specifically ask you to travel outside the St. Louis area on Company business, you may travel by first class airfare and your reasonable hotel and meal charges will be reimbursed.

Board members do not receive health, life or disability insurance, car allowances, leased vehicles, offices, or office support services. Except as described above and as applicable to your circumstances, Board members do not participate in the Company=s 401(k) Plan or Employee Stock Option Plan.

Board members, including yourself, were awarded 15,000 stock options under the Director's Stock Option Plan. These Options were awarded on December 18, 1998, with an exercise price of $13.81/share. You will be receiving your certificate for these options shortly.

Directors are covered by indemnification agreements to protect them from liability when, in the exercise of their statutory and fiduciary duties, suits are brought against them. This indemnity does not apply, by law, in all cases, and the extent of coverage will be described in a memorandum you will be receiving from the Company's Secretary. This indemnification agreement is supplemented with Director and Officer Errors and Omission insurance.

The Company's Secretary will also be distributing a memorandum shortly which generally describes your duties as a director under Delaware law.

We are pleased that you have accepted this appointment to the Board and we look forward to your contributions as the Company continues its exciting strategies. We also want to especially thank you for your efforts during the past eight years, as you responded on short notice to perform management functions in Puerto Rico, Chile, Argentina, Atlanta, Durango, and St. Louis.

Sincerely,

s/Anthony W. Hooper	s/Robert W. Affholder
Anthony W. Hooper	Robert W. Affholder
Chairman, President & CEO	Sr. Executive Vice-President

- -

Please sign, date and return one copy of this letter in the envelope provided as evidence of acceptance of the terms and conditions herein, and retain the other copy for your records.

s/Thomas N. Kalishman	2/9/99
Thomas N. Kalishman	Date

Exhibit 10.12

October 9, 1998

Mr. William A. Martin
6364 Massey Manor Cove
Memphis, Tennessee 38120

Dear Mr. Martin:

Reference is hereby made to: (i) the Severance Agreement dated June 19, 1997 (the "Agreement") between you and Insituform Technologies, Inc. (the "Company"); and (ii) the Notice of Termination dated as of even date herewith delivered by you to the Company thereunder.

In connection with the foregoing, the Company and you hereby agree as follows (capitalized terms used herein and not otherwise defined herein, to have the same meanings ascribed to them in the Agreement):

(a) The Company hereby acknowledges that the foregoing Notice of Termination has been timely delivered and that, as modified pursuant to this letter, shall for all purposes of the Agreement be deemed to evidence termination for Good Reason, as defined in the final sentence of Paragraph (p) of Article I of the Agreement.

(b) Notwithstanding anything to the contrary contained in the Agreement (including without limitation, the provisions of clause (iii) of Paragraph (s) of Article I of the Agreement), and without prejudice to any of your rights under the Agreement arising from delivery of the aforesaid Notice of Termination, the Date of Termination referenced in the aforesaid Notice of Termination (the "Original Date of Termination") shall, for all purposes of the Agreement (except as set forth in the immediately succeeding paragraph), be postponed to such date set forth in a written notice delivered in the manner set forth in the Agreement by the Company to you (or, such earlier date set forth in a

written notice delivered in the manner set forth in the Agreement by you to the Company), provided that any notice as aforesaid shall be delivered no less than 30 days prior to the date specified therein (the postponed date as aforesaid to be the "Postponed Date of Termination").

(c) Without limiting the generality of paragraph (b) immediately preceding, you and the Company acknowledge and agree that the lump sum cash payment required under Paragraph (b) (i) of Article II of the Agreement shall be made within 30 days of the Postponed Date of Termination, and the continuation of benefits required under Paragraph (b)(ii) of said Article II shall extend through the period of three years after the Postponed Date of Termination; it being understood and agreed, however, that, for purposes of the calculation of Annual Base Salary and Annual Bonus under the Agreement, the Date of Termination shall be deemed to be the Original Date of Termination, and the reference under said Paragraph (b) (i) to the "current fiscal year" shall be deemed to refer to the "fiscal year of the Date of Termination" (with such last date deemed to be the Original Date of Termination).

The Company and you hereby acknowledge and agree that your entitlement to the benefits of the Agreement arising from termination by you for Good Reason as aforesaid during the Protected Period shall survive any Disability (or death), or any other event, subsequent to the date hereof.

Except as stated herein, all provisions of the Agreement shall remain in full force and effect, without modification and without any adverse effect on any rights, benefits or privileges conferred on you pursuant to the Agreement.

If the foregoing accurately reflects our agreement, kindly acknowledge your acceptance hereof by countersigning the enclosed copy of this letter in the space below provided and returning such signed copy to the undersigned.

Very truly yours,

INSITUFORM TECHNOLOGIES, INC.

By s/Anthony W. Hooper

ACCEPTED AND AGREED:

s/William A. Martin

William A. Martin

October 9, 1998

Insituform Technologies, Inc.
702 Spirit 40 Park Drive
Chesterfield, Missouri 63005
Attention: General Counsel

Dear Sirs:

Reference is hereby made to the Severance Agreement dated June 19, 1997 (the "Agreement") between you and the undersigned. Capitalized terms utilized herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Agreement.

This letter shall constitute a Notice of Termination pursuant to the Agreement, notifying you of the termination by the undersigned of his employment with the Company and its Affiliates for Good Reason. In accordance with the Agreement, the undersigned hereby advises you as follows:

(a) Paragraph (p) of Article I of the Agreement provides that, "a termination by the Executive for any reason during the... 30-day period immediately following the first anniversary of the Effective Date... shall be deemed to be a termination for Good Reason for all purposes of this Agreement."

(b) The Effective Date occurred on October 8, 1997, as a result of a Change of Control described in Paragraph (g)(i) of Article I of the Agreement, upon the election to the Board of at

least two members other than pursuant to the circumstances described under clauses (x) or (y) of said paragraph and, in particular, pursuant to the circumstances described in the Company's proxy statement dated August 25, 1997. Accordingly, the termination to which this Notice of Termination relates shall be deemed a termination for Good Reason.

(c) The Date of Termination shall be October 31, 1998 (which is not later than 30 days after the first anniversary of the Effective Date).

Please acknowledge your receipt of this letter and the Notice of Termination herein by countersigning the enclosed copy of this letter in the space below provided and returning such signed copy to the undersigned.

Very truly yours,

s/William A. Martin

William A. Martin

RECEIPT ACKNOWLEDGED:

INSITUFORM TECHNOLOGIES, INC.

By s/Anthony W. Hooper

Exhibit 10.14

SEVERANCE AGREEMENT

AGREEMENT dated as of the 14th day of March, 1999 between Insituform Technologies, Inc., a Delaware corporation (the "Company"), and Robert L. Kelley (the "Executive").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its stockholders to assure that the Company shall have the continued dedication of the Executive, and, accordingly, to extend to the Executive the arrangements hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the meanings set forth below:

(a) The term "1997 Agreement" shall mean the Severance Agreement dated June 19, 1997 between the Executive and the Company.

(b) The term "Change in Control" shall mean:

(i) the acquisition by any "person" or "group" (as defined pursuant to Section 13(d) under the Securities Exchange Act of 1934) of "beneficial ownership" (as defined in Rule 13d-3 under said Act) of in excess of 50% of the combined voting power of the outstanding Voting Securities of the Company; and/or

(ii) the replacement of 50% or more of the members of the Company's Board of Directors (excluding, for purposes of such calculation, the Chairman of the Board) over a one year period from the directors who constituted such Board at the beginning of such period, where such replacement shall not have been approved by a vote including at least a majority of the directors who were members of the Board at the beginning of such one-year period or whose election as members of the Board was previously so approved; and/or

(iii) consummation of a merger, statutory share exchange or consolidation involving the Company or sale or other disposition of all or substantially all of the assets of the Company, unless following such transaction: (x) all or substantially all of the individuals and entities who were the "beneficial owners" (as hereinabove

defined), respectively, of the outstanding Voting Securities immediately prior to such transaction "beneficially owned", directly or indirectly, more than 50% of the combined voting power of the then outstanding Voting Securities of the corporation resulting from such transaction in substantially the same proportion as their ownership immediately prior to such transaction of the outstanding Voting Securities of the Company, (y) no "person" or "group" (as hereinabove defined) "beneficially owns", directly or indirectly, 20% or more of the combined voting power of the then outstanding Voting Securities of such corporation except to the extent that such ownership existed prior to such transaction and (z) at least a majority of the members of the board of directors resulting from such transaction were members of the Company's Board of Directors immediately prior to such transaction or were nominated by at least a majority of the members of the Company's Board of Directors at the time of the execution of the initial agreement for such transaction, or by the action of the Company's Board of Directors providing for such transaction; and/or

(iv) approval by the stockholder of the Company of a complete liquidation or dissolution of the Company.

(c) The term "Excise Tax" shall have the meaning set forth under Paragraph A of Article III hereof.

(d) The term "good reason" shall mean (1) the assignment to the Executive by the Company of duties inconsistent with the position of Vice President and General Counsel of the Company (including status, offices, titles and reporting requirements), or any authority, duties or responsibilities not at least commensurate in all material respects with the most significant of those exercised or assigned to the Executive during the 120-day period prior to the date hereof; or (2) any other action by the Company which results in a diminution in such position, authority, duties or responsibilities (excluding any isolated, insubstantial and inadvertent action by the Company not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof from the Executive); or (3) the Company's

requiring the Executive to be based at any office or location other than in metropolitan St. Louis or to travel on Company business during an extended period to a substantially greater extent than required during the Executive's employment with the Company and its Affiliates prior to the date hereof; or (4) subject to reasonable assessment by the Company of the performance of the Executive, adjustments in the base salary of the Executive or determination of achievement of bonus entitlement or calculation of stock option grants, in each case not at least substantially commensurate with the treatment by the Company with respect to other peer executives of the Company and its Affiliates (hereinafter referred to as the "Peer Group").

(e) The term "Gross-Up Payment shall have the meaning set forth under Paragraph A of Article III hereof.

(f) The term "Other Plans" shall have the meaning set forth in paragraph B of Article II hereof.

(g) The term "Payments" shall mean any payment or distribution by the Company to or for the benefit of the Executive pursuant to the terms of this Agreement (but determined without regard to any additional payments required under Article III hereof).

(h) The term "Peer Group" shall have the meaning set forth in Paragraph (d) of this Article I.

(i) The term "Severance Amount" shall mean the lump-sum cash payment set forth under Paragraph (b)(i) of Article II of the 1997 Agreement, it being understood and agreed, however, that, for purposes of the calculation of "Annual Base Salary" and "Annual Bonus" thereunder, the "Date of Termination" thereunder shall be deemed to be November 6, 1998 and the reference under said Paragraph (b)(i) to the "current fiscal year" shall be deemed to refer to "1998".

(j) The term "Supplemental Letters" shall mean the notice dated October 9, 1998 delivered by the Executive to the Company under the 1997 Agreement, and the letter agreements dated, respectively, November 6 and December 18, 1998 between the Executive and the Company supplementing the 1997 Agreement.

(k) The term "Voting Securities" shall mean the voting securities of the subject referenced entitled to vote generally in the election of directors.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned and ascribed to them in the 1997

Agreement.

ARTICLE II

SEVERANCE BENEFITS

A. The Executive shall be entitled to payment by or on behalf of the Company of the Severance Amount in the following circumstances:

(i) with 30 days after (x) termination by the Company of the Executive's employment for any reason, or (y) the Executive's death, or (z) the Executive's disability (defined as his inability to report for work for a period of four months or longer);

(ii) within six months after termination by the Executive of his employment for "good reason";

(iii) within 30 days after termination by the Executive of his employment during the 30-day period immediately following the first anniversary of any Change in Control; or

(iv) in the event of termination by the Executive of his employment other than for "good reason" or pursuant to clause (iii) immediately preceding, at the later of (x) December 31, 2002 or (y) on or prior to any June 30 or December 31 following no less than six months' prior written notice by the Executive to the Company that such payment is due;

it being acknowledged and agreed that the Executive's entitlement to the Severance Amount arising from any termination of employment as aforesaid shall survive any disability (or death), or any other event subsequent to termination.

B. For three years after the termination of the Executive's employment for any reason, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to all those which would have been provided to them under the Welfare Benefit Plans and the car allowance and other plans, programs or arrangements applicable to Company employees generally or to the Peer Group specifically (such car allowance and other plans, programs and arrangements herein referred to, collectively, as "Other Plans") in effect at November 6, 1998, as if the Executive's employment had not been terminated or, if more favorable to the Executive, the benefits available under the Welfare Benefit Plans, Other Plans or new plans, programs or arrangements, as in effect generally at any time thereafter with respect to other employees of the Company generally or the Peer Group specifically and their families, provided, however, that if

and to the extent the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; provided, further, that if and to the extent the Executive is eligible to receive medical or other welfare benefits under any retirement plan provided by Monsanto Company, or any successor thereto, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility (subject to reimbursement by the Company to the Executive of his premium under such other plan). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the termination of his employment and to have retired on the last day of such period.

C. In the event the Executive's employment shall terminate for any reason, to the extent not theretofore paid or provided the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies.

ARTICLE III

CERTAIN ADDITIONAL PAYMENTS

A. Except as set forth below, in the event it shall be determined that any Payments would be subject to any excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by you with respect to such excise tax (herein referred to, collectively, as the "Excise Tax"), then you shall be entitled to receive an additional payment (herein referred to as a "Gross-Up Payment") in an amount such that after payment by you of all taxes, including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto), and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Paragraph A, if it shall be determined that you are entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount that could be paid to you such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to you and the Payments, in the aggregate, shall be reduced to such greatest amount.

B. All determinations required to be made under this Article III shall be made by the Company's independent auditors, who shall provide detailed supporting calculations both to the Company and you within 15 business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the accounting firm acting hereunder shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Article III, shall be paid by the Company to you within five days of the receipt of the accounting firm's determination.

C. The Executive shall promptly notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. If the Company notifies the Executive in writing prior to the expiration of 30 days after receipt of such notice that it desires to contest such claim, the Executive shall: (A) give the Company any information reasonably requested by the Company relating to such claim, and (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest. Without limitation on the foregoing provisions of this Article III, the Company shall control all proceedings taken in connection with such contest.

ARTICLE IV

NOTICE OF TERMINATION

Any termination by the Executive of his employment for other than "good reason" shall be subject to no less than six months' prior written notice of termination delivered by the Executive to the Company.

ARTICLE V

MISCELLANEOUS

A. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

317 Cabin Grove Lane
Creve Coeur, Missouri 63141

If to the Company:

702 Spirit 40 Park Drive
Chesterfield, Missouri 63005

Attention: President

With a copy to:

Krugman & Kailes LLP
Park 80 West - Plaza Two
Saddle Brook, New Jersey 07663

Attention: Howard Kailes, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

B. This Agreement shall contain the entire agreement of the parties with respect to the transactions contemplated hereby. Without limiting the generality of the foregoing (and except to the extent certain provisions of the 1997 Agreement are referenced hereunder), the terms hereof supersede in all respects: (i) the letter agreement dated February 23, 1996 between the parties hereto, (ii) the 1997 Agreement, and (iii) the Supplemental Letters, which are hereby terminated and shall have no further force or effect.

C. (i) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(ii) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(iii) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this

Agreement by operation of law, or otherwise.

D. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

E. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

F. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

G. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for "good reason", shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

H. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Executive:

s/Robert L. Kelley

Robert L. Kelley

Insituform Technologies, Inc.

By s/Anthony W. Hooper

HAND DELIVERY

October 9, 1998

Insituform Technologies, Inc.
702 Spirit 40 Park drive
Chesterfield, MO 63005

Attention: Anthony W. Hooper, Chairman,
President & CEO

Gentlemen:

Reference is hereby made to the Severance Agreement dated June 19, 1997 (the "Agreement") between Insituform Technologies, Inc. (the "Company") and the undersigned. Capitalized terms utilized herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Agreement.

This letter shall constitute a Notice of Termination pursuant to the Agreement, notifying the Company of the termination by the undersigned of his employment with the Company and its Affiliates for Good Reason. In accordance with the Agreement, the undersigned hereby advises the Company as follows:

(a) Paragraph (p) of Article I of the Agreement provides that a "termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date ... shall be deemed to be a termination for Good Reason for all purposes of this Agreement."

(b) The Effective Date occurred on October 8, 1997, as a result of a Change of Control described in paragraph (g)(i) of Article I of the Agreement, upon the election the Board of at least two members other than pursuant to the circumstances described under clauses (x) or (y) of said paragraph and, in particular, pursuant to the circumstances described in the Company's proxy statement dated August 25, 1997. Accordingly, the termination to which this Notice of Termination relates shall be deemed a termination for Good Reason.

(c) The Date of Termination shall be November 6, 1998 (which is not later than 30 days after the first anniversary of the Effective Date).

This Notice of Termination may be withdrawn by the undersigned in the event that the Company and the undersigned reach a mutually

satisfactory new agreement on or before November 6, 1998, in which event this letter and Notice of termination hereunder shall have no further effect.

Please acknowledge your receipt of this letter and the Notice of Termination herein by countersigning the enclosed copy of this letter in the space provided below and returning the copy to the undersigned.

Your acknowledgement also constitutes confirmation that the address of the Company for purposes of notices and other communications as set out in paragraph (a) of Article IV of the Agreement is amended to read as set out at the head of this letter.

Very truly yours,

s/Robert L. Kelley

Robert L. Kelley

RECEIPT ACKNOWLEDGED
INSITUFORM TECHNOLOGIES, INC.

By: s/Anthony W. Hooper

November 6, 1998

Mr. Robert L. Kelley
317 Cabin Grove Lane
Creve Coeur, Missouri 63141

Dear Mr. Kelley:

Reference is hereby made to: (i) the Severance Agreement dated June 19, 1997 (the "Agreement") between you and Insituform Technologies, Inc. (the "Company"); and (ii) the Notice of Termination dated October 9, 1998 delivered by you to the Company thereunder.

In connection with the foregoing, the Company and you hereby agree as follows (capitalized terms used herein and not otherwise defined

herein, to have the same meanings ascribed to them in the Agreement):

(a) The Company hereby acknowledges that the foregoing Notice of Termination has been timely delivered and that, as modified pursuant to this letter, shall for all purposes of the Agreement be deemed to evidence termination for Good Reason, as defined in the final sentence of Paragraph (p) of Article I of the Agreement.

(b) Notwithstanding anything to the contrary contained in the Agreement (including without limitation, the provisions of clause (iii) of Paragraph (s) of Article I of the Agreement), and without prejudice to any of your rights under the Agreement arising from delivery of the aforesaid Notice of Termination, the Date of Termination referenced in the aforesaid Notice of Termination (the "Original Date of Termination") shall, for all purposes of the Agreement (except as set forth in the immediately succeeding paragraph), be postponed to December 14, 1998 (the postponed date as aforesaid to be the "Postponed Date of Termination").

(c) Without limiting the generality of paragraph (b) immediately preceding, you and the Company acknowledge and agree that the lump-sum cash payment required under Paragraph (b)(i) of Article II of the Agreement shall be made within 30 days of the Postponed Date of Termination, but not earlier than January 2, 1999, and the continuation of benefits required under Paragraph (b)(ii) of said Article II shall extend through the period of three years after the Postponed Date of Termination; it being understood and agreed, however, that, for purposes of the calculation of Annual Base Salary and Annual Bonus under the Agreement, the Date of Termination shall be deemed to be the Original Date of Termination, and reference under said Paragraph (b)(i) to the "current fiscal year" shall be deemed to refer to the "fiscal year of the Date of Termination" (with such last date deemed to be the Original Date of Termination).

(d) Notwithstanding anything in this letter to the contrary (including, without limitation, paragraph (c) immediately preceding), you and the Company acknowledge and agree that you have the right to accelerate the Postponed Date of Termination (the "Accelerated Postpone Date of Termination") in the event of the occurrence of any change (or

approval of a change) in the governance of the Company occurring at any time after the date of this letter or change (or approval of change) in the equity ownership of the Company held by affiliates of the Company; such Accelerated Postponed Date of Termination to be effective immediately upon hand delivery to the Company of your written notice of Accelerated Postponed Date of Termination or effective the date of postmark of such written notice if mailed through the United States Postal Service.

The Company and you hereby acknowledge and agree that your entitlement to the benefits of the Agreement arising from termination by you for Good Reason as aforesaid during the Protected Period shall survive any Disability (or death), or any other event, subsequent to the date hereof.

Except as stated herein, all provisions of the Agreement shall remain in full force and effect, without modification and without adverse effect on any rights, benefits or privileges conferred on you pursuant to the Agreement.

If the foregoing accurately reflects our agreement, kindly acknowledge your acceptance hereof by countersigning the enclosed copy of this letter in the space below provided and returning such signed copy to the undersigned.

Your acknowledgement also constitutes confirmation that your address for purposes of notices and other communications as set out in paragraph (a) of Article IV of the Agreement is amended to read as set out at the head of this letter.

Very truly yours,

INSITUFORM TECHNOLOGIES, INC.

By s/Anthony W. Hooper

ACCEPTED AND AGREED:

s/Robert L. Kelley

Robert L. Kelley

as of December 18, 1998

Mr. Robert L. Kelley
317 Cabin Grove Lane
Creve Coeur, Missouri 63141

Dear Mr. Kelley:

Reference is hereby made to: (i) the Severance Agreement dated June 19, 1997 (the "Agreement") between you and Insituform Technologies, Inc. (the "Company"); (ii) the Notice of Termination dated October 9, 1998 delivered by you to the Company thereunder; and (iii) the letter agreement dated November 6, 1998 (the "Moratorium Letter") between you and the Company.

This letter shall evidence that the Company and you hereby agree that the reference in the Moratorium Letter to "December 14, 1998" shall be modified to refer to "March 14, 1999"; and that the Moratorium Letter, as so amended, shall remain in full force and effect.

If the foregoing accurately reflects our agreement, kindly so indicate by countersigning the enclosed copy of this letter in the space below provided and returning such signed copy to the undersigned.

Very truly yours,

INSITUFORM TECHNOLOGIES, INC.

By s/Anthony W. Hooper

ACCEPTED AND AGREED:

s/Robert L. Kelley

Robert L. Kelley

Exhibit 10.19

SENIOR MANAGEMENT VOLUNTARY DEFERRED COMPENSATION PLAN

prepared for

INSITUFORM TECHNOLOGIES, INC.

INSITUFORM TECHNOLOGIES INC.

SENIOR MANAGEMENT VOLUNTARY DEFERRED COMPENSATION PLAN

ARTICLE I - PURPOSE; EFFECTIVE DATE

1.1. Purpose. The purpose of this Senior Management Voluntary Deferred Compensation Plan (hereinafter, the "Plan") is to permit a select group of management and highly compensated employees of Insituform Technologies, Inc. and its subsidiaries to defer the receipt of income which would otherwise become payable to them. It is intended that this plan, by providing this deferral opportunity, will assist in retaining and attracting individuals of exceptional ability by providing them with these benefits.

1.2. Effective Date. The Plan shall be effective as of February 1, 1999.

ARTICLE II - DEFINITIONS

For the purpose of this Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1. Account(s). "Account(s)" means the account or accounts maintained on the books of the Company used solely to calculate the amount payable to each Participant under this Plan and shall not constitute a separate fund of assets. The Accounts available for each Participant shall be identified as:

a) Retirement Account; and,
b) In-Service Account.

2.2. Beneficiary. "Beneficiary" means the person, persons or entity as designated by the Participant, entitled under Article VI to receive any Plan benefits payable after the Participant's death.

2.3. Board. "Board" means the Board of Directors of the Company.

2.4. Change in Control. A "Change in Control" shall occur if:

a) Any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13-d under such Act) of more than fifty (50%) of the then outstanding voting stock of the Company, other than through a transaction arranged by, or consummated with the prior approval of, the Board; or

b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board (and any new Director whose election by the Board or whose nomination for election by the stockholders of the Company was approved by a vote of at least two-thirds (2/3) of the Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof; or

c) The shareholders of Company approve a merger or consolidation of Company with any other corporation, other than a merger or consolidation which would result in the voting securities of a Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than eighty percent (80%) of the combined voting power of the voting securities of Company or such surviving entity outstanding immediately after such merger or consolidation; or

d) The shareholders of Company approve a plan of complete liquidation of Company or an agreement for the sale or disposition by Company of all or substantially all of the Company's assets.

2.5. Committee. "Committee" means the Committee appointed by the CEO to administer the Plan pursuant to Article VII. The initial Committee shall consist of the CEO, the Human Resources Director and Legal Counsel.

2.6. Company. "Company" means Insituform Technologies, Inc., a Delaware corporation, and any directly or indirectly 100% owned or affiliated U.S based subsidiary corporations, any other affiliate designated by the Board, or any successor to the business of any of the foregoing if such successor is a U.S. based entity.

2.7. Compensation. "Compensation" means the base salary payable to and bonus or incentive compensation earned by a Participant with respect to employment services performed for the Company by the Participant and considered to be "wages" for purposes of federal income tax withholding. For purposes of this Plan only, Compensation shall be calculated before reduction for any amounts deferred by the Participant pursuant to the Company's tax qualified plans which may be maintained under Section 401(k) or Section 125 of the Internal Revenue Code of 1986, as amended, (the "Code"), or pursuant to this Plan or any other non-qualified plan which permits the voluntary deferral of compensation. Inclusion of any other forms of compensation is subject to Committee Approval.

2.8. Deferral Commitment. "Deferral Commitment" means a commitment made by a Participant to defer a portion of Compensation as set forth in Article III. The Deferral Commitment shall apply to salary and/or bonus payable to a Participant, and shall specify the Account or Accounts to which the Compensation deferred shall be allocated. Such deferral commitment shall be made in whole percentages or stated dollar amounts and shall be made in a form acceptable to the Committee. A Deferral Commitment shall remain in effect until amended or revoked as provided under Section 3.2 (b), below.

2.9. Deferral Period. "Deferral Period" means each calendar year, except that the initial Deferral Period shall be February 1, 1999 through and including December 31, 1999.

2.10. Determination Date. "Determination Date" means the last day of each calendar month.

2.11. Disability. "Disability" means a permanent physical or mental condition that prevents the Participant from satisfactorily performing the Participant's usual duties for Company. The Committee shall determine the existence of Disability, in its sole discretion, and may rely on advice from a medical examiner satisfactory to the Committee in making the determination.

2.12. Discretionary Contribution. "Discretionary Contribution"

means the Company contribution credited to a Participant's Account(s) under Section 4.5, below.

2.13. Interest. "Interest" means the amount credited to a Participant's Account(s) on each Determination Date, which shall be based on the Valuation Funds chosen by the Participant as provided in Section 2.21, below and in a manner consistent with Section 4.3, below. Such credits to a Participant's Account may be either positive or negative to reflect the increase or decrease in value of the Account in accordance with the provisions of this Plan.

2.14. Form of Payment Designation. "Form of Payment Designation" means the form prescribed by the Committee and completed by the Participant, indicating the chosen form of payment for benefits payable from each Account under this Plan, as elected by the Participant.

2.15. 401(k) Plan. "401(k) Plan" means the Insituform Technologies 401(k) Profit Sharing Plan, or any other successor defined contribution plan maintained by the Company that qualifies under Section 401(a) of the Code and satisfies the requirements of Section 401(k) of the Code.

2.16. Matching Contribution. "Matching Contribution" means the Company contribution credited to a Participant's Account(s) under Section 4.4, below.

2.17. Participant. "Participant" means any employee who is eligible, pursuant to Section 3.1, below, to participate in this Plan, and who has elected to defer Compensation under this Plan in accordance with Article III, below. Such employee shall remain a Participant in this Plan for the period of deferral and until such time as all benefits payable under this Plan have been paid in accordance with the provisions hereof.

2.18. Plan. "Plan" means this Senior Management Voluntary Deferred Compensation Plan as amended from time to time.

2.19. Retirement. "Retirement" means the termination of employment with the Company of the Participant after attaining age 55 with at least 10 Years of Service.

2.20. Plan Year. "Plan Year" or "Year" shall be the calendar year except for the first and last years in which the Plan operates, in which case the Plan Year shall be that portion of the first and last calendar years in which the Plan operated if less than 12 full months.

2.21. Valuation Funds. "Valuation Funds" means one or more of the independently established funds or indices that are identified and listed by the Committee. These Valuation Funds are used solely to calculate the Interest that is credited to each Participant's Account(s) in accordance with Article IV, below, and do not represent, nor should it be interpreted to convey any beneficial interest on the part of the Participant in any asset or other property of the Company. The determination of the increase or decrease in the performance of each Valuation Fund shall be made by the Committee in its reasonable discretion. The Committee shall select the various Valuation Funds available to the Participants with respect to this Plan and shall set forth a list of these Valuation Funds attached hereto as Exhibit A, which may be amended from time to time in the discretion of the Committee.

ARTICLE III - ELIGIBILITY AND PARTICIPATION

3.1. Eligibility and Participation.

a) Eligibility. Eligibility to participate in the Plan shall be limited to those select Senior Management employees of Company whose base salary for the calendar year immediately prior to their first year of eligibility to participate in this plan was at least ninety thousand dollars ($90,000), plus any other select key executives designated by the Committee from time to time.

b) Participation. An employee's participation in the Plan shall be effective upon notification to the employee by the Committee of eligibility to participate, and completion, submission, and acceptance by the Committee, of a Deferral Commitment and a Form of Payment Designation to the Committee no later than thirty (30) days prior to the beginning of the Deferral Period.

c) First-Year Participation. When an individual first becomes eligible to participate during a Deferral Period, a Deferral Commitment may be submitted to the Committee within thirty (30) days after the Committee notifies the individual of eligibility to participate. Such Deferral Commitment will be effective only with regard to Compensation earned and payable following submission of the Deferral Commitment to the Committee.

3.2. Form of Deferral. A Participant may elect a Deferral Commitment as follows:

a) Form of Deferral Commitment. A Deferral Commitment shall be made with respect to salary and/or bonus

payable by the Company to a Participant during the immediately succeeding Deferral Period, and shall designate the portion of each deferral that shall be allocated among the various Accounts. The Participant shall set forth the amount to be deferred as either a full percentage of salary and/or bonus (the Participant may designate a different percentage of salary and bonus that is to be deferred under this Plan), or as a stated dollar amount. Salary Deferral Commitments shall be offset by amounts deferred by the Participant into the 401(k) Plan, and shall be made in roughly equal amounts over the calendar year, but only after the Participant has reached the maximum deferral amounts permitted under the 401(k) Plan. Bonus Deferral Commitments will be in addition to contributions from the bonus to the 401(k) Plan. In addition, the Deferral Commitment shall specify the Participant's initial allocation of the amounts deferred into each Account among the various available Valuation Funds

b) Period of Commitment. Once a Participant has made a Deferral Commitment, that Commitment shall remain in effect for the next succeeding Deferral Period and shall remain in effect for all future Deferral Periods unless revoked or amended in writing by the Participant and delivered to the Committee no later than thirty (30) days prior to the beginning of a subsequent Deferral Period.

3.3. Limitations on Deferral Commitments. The following limitations shall apply to a Deferral Commitment, subject to amendment by the Committee upon providing written notice to all Participants:

a) Maximum. The maximum amount of each payment of base salary that may be deferred into this Plan and the 401(k) Plan shall be fifteen percent (15%) of base salary, and the maximum amount of each payment of bonus or incentive compensation that may be deferred into this Plan shall be twenty-five percent (25%) of bonus or incentive compensation.

b) Minimum. The minimum amount of each payment of base salary that may be deferred shall be 1% of base pay, and the minimum amount of each payment of bonus or incentive compensation that may be deferred shall be 1% of the bonus or $1,000 if a dollar amount is specified.

3.4. Commitment Limited by Termination. If a Participant terminates employment with Company prior to the end of the Deferral Period, the Deferral Period shall end as of the date of termination.

3.5. Modification of Deferral Commitment. A Deferral Commitment shall be irrevocable by the Participant during a Deferral Period.

3.6. Change in Employment Status. If the Committee determines that a Participant's employment performance is no longer at a level that warrants reward through participation in this Plan, but does not terminate the Participant's employment with Company, the Participant's existing Deferral Commitment shall terminate at the end of the Deferral Period, and no new Deferral Commitment may be made by such Participant after notice of such determination is given by the Committee, unless the Participant later satisfies the requirements of '3.1, above and has Committee approval. If the Committee, in its sole discretion, determines that the Participant no longer qualifies as a member of a select group of management or highly compensated employees, as determined in accordance with the Employee Retirement Income Security Act of 1974, as amended, the Committee may, in its sole discretion terminate any Deferral Commitment for that year, prohibit the Participant from making any

future Deferral Commitments and/or distribute the Participant's Account Balances in accordance with Article V of this Plan as if the Participant had terminated employment with the Company as of that time.

ARTICLE IV - DEFERRED COMPENSATION ACCOUNT

4.1. Accounts. The Compensation deferred by a Participant under the Plan, any Matching Contributions, Discretionary Contributions and Interest shall be credited to the Participant's Account(s). Separate sub-accounts may be maintained to reflect the different Accounts chosen by the Participant, and the Participant shall designate the portion of each deferral that will be credited to each Account as set forth in Section 3.2(a), above. These Accounts shall be used solely to calculate the amount payable to each Participant under this Plan and shall not constitute a separate fund of assets.

4.2. Timing of Credits; Withholding. A Participant's deferred Compensation shall be credited to each Account designated by the Participant on the last day of the month during which the Compensation deferred would have otherwise been payable to the Participant, except that the Committee shall have complete discretion to establish administrative procedures, to the extent practical, to insure that the Participant's deferrals into the 401(k) Plan are maximized to the extent permitted by law. Any Matching Contributions shall be credited to each Participant's Retirement Account

on the last day of the Deferral Period during which the deferred Compensation to which the Matching Contributions relates was credited to each Account. Any Discretionary Contributions shall be credited to the Retirement Account as provided by the Committee. Any withholding of taxes or other amounts with respect to deferred Compensation that is required by local, state or federal law shall be withheld from the Participant's corresponding non-deferred portion of the Compensation to the maximum extent possible, and any remaining amount shall reduce the amount credited to the Participant's Account in a manner specified by the Committee.

4.3. Valuation Funds. A Participant shall designate, at a time and in a manner acceptable to the Committee, one or more Valuation Funds for each Account for the sole purpose of determining the amount of Interest to be credited or debited to such Account. Such election shall designate the portion of each deferral of Compensation made into each Account that shall be allocated among the available Valuation Fund(s), and such election shall apply to each succeeding deferral of Compensation until such time as the Participant shall file a new election with the Committee.

Upon notice to the Committee, the Participant may also reallocate the balance in each Valuation Fund among the other available Valuation Funds as of the next succeeding Determination Date, but in no event shall such re-allocation occur more frequently than quarterly.

4.4. Matching Contributions. Company shall credit a Matching Contribution to the Participant's Retirement Account with respect to the Compensation deferred by the Participant under this Plan during a Deferral Period. Such Matching Contribution shall be equal to one hundred percent (100%) of the first three percent (3%) of the Participant's Compensation before such deferrals, plus fifty percent (50%) of the next two percent (2%) of the Participant's Compensation before such deferrals. For purposes of this Plan only base Compensation shall not include compensation of any participant which is in excess of one hundred sixty thousand dollars ($160,000) in any year or such other sum as the committee shall determine from time to time. The Matching Contribution to this Plan shall be reduced by any Matching Contributions credited on behalf of the Participant into the 401(k) Plan. The Matching Contribution shall be credited to the Retirement Account in the same proportion as set forth in section 4.1 above.

4.5. Discretionary Contributions. Company may make Discretionary Contributions to a Participant's Retirement

Account. Discretionary Contributions shall be credited at such times and in such amounts as recommended by the Committee and approved by the Compensation Committee of the Board, or the Board in its sole discretion shall determine. Unless the Committee specifies otherwise, such Discretionary Contribution shall be allocated to the Retirement Account.

4.6. Determination of Accounts. Each Participant's Account as of each Determination Date shall consist of the balance of the Account as of the immediately preceding Determination Date, adjusted as follows:

a) New Deferrals. Each Account shall be increased by any deferred Compensation credited since such prior Determination Date in the proportion chosen by the Participant.
b) Company Contributions. The Retirement Account shall be increased by any Matching and/or Discretionary Contributions credited since such prior Determination Date in the same proportion chosen by the Participant with respect to new deferrals as set forth above.
c) Distributions. Each Account shall be reduced by the amount of each benefit payment made from that Account since the prior Determination Date. Distributions shall be deemed to have been made proportionally from each of the Valuation Funds maintained within such Account based on the proportion that such Valuation Fund bears to the sum of all Valuation Funds maintained within such Account for that Participant as of the Determination Date immediately preceding the date of payment.
d) Interest. Each Account shall be increased or decreased by the Interest credited to such Account since such Determination Date as though the balance of that Account as of the beginning of the current month had been invested in the applicable Valuation Funds chosen by the Participant.

4.7. Vesting of Accounts. Each Participant shall be vested in the amounts credited to such Participant's Account and Interest thereon as follows:
a) Amounts Deferred. A Participant shall be one hundred percent (100%) vested at all times in the amount of Compensation elected to be deferred under this Plan and Interest thereon.
b) Matching Contributions. A Participant shall be one hundred percent (100%) vested at all times in the amount of the Matching Contributions credited to the Participant's Retirement Account and Interest thereon.

c) Discretionary Contributions. A Participant's Discretionary Contributions and Interest thereon shall become vested as determined by the Compensation Committee of the Board, or the Board.

4.8. Statement of Accounts. The Committee shall give to each Participant a statement showing the balances in the Participant's Account on a quarterly basis.

ARTICLE V - PLAN BENEFITS

5.1. Retirement Account. The vested portion of a Participant's Retirement Account shall be distributed to the Participant upon the termination of employment with the Company. Benefits under this section shall be payable as soon as administratively practical after termination of employment. The form of benefit payment shall be that form selected by the Participant pursuant to Section 5.4, below, unless the Participant terminates employment prior to Retirement, in which event, the Retirement Account shall be paid in the form of a lump sum payment.

5.2. In-Service Account. The vested portion of a Participant's In-Service Account shall be distributed to the Participant upon the date chosen by the Participant in the first Deferral Commitment which designated a portion of the Compensation deferred be allocated to the In-Service Account, provided that the date specified shall not be

prior to the fifth anniversary of the first Deferral Commitment electing an In-Service distribution. The permitted forms of benefit payments are:

a) A lump sum amount which is equal to the vested Account balance; and,
b) Annual installments for a period of five (5) years where the annual payment shall be equal to the balance of the Account or sub-account immediately prior to the payment, multiplied by a fraction, the numerator of which is one (1) and the denominator of which commences with five (5) and is reduced by one (1) in each succeeding year, unless the total amount in the Participant's In-Service Account as of the date chosen by the Participant for payment is less than $5,000, the In-Service Account shall be paid in a lump sum, notwithstanding any election by the Participant to the contrary. Interest on the unpaid balance shall be based on the most recent allocation among the available Valuation Funds chosen by the Participant, made in accordance with Section 4.3, above.

Notwithstanding anything to the contrary in this section,

if the Participant terminates employment with the Company prior to the date so chosen by the Participant, the vested portion of the In-Service Account shall be added to the Retirement Account as of the date of termination of service and shall be paid in accordance with the provisions of Section 5.1, above.

5.3. Death Benefit. Upon the death of a Participant prior to the commencement of benefits under this Plan from any Account, Company shall pay to the Participant's beneficiary an amount equal to the vested Account balance in that Account in a manner chosen by the Participant in the most recent Deferral Commitment. In the event of the death of the Participant after the commencement of benefits under this Plan from any Account, the benefits from that Account(s) shall be paid to the Participant's designated Beneficiary from that Account at the same time and in the same manner as if the Participant had survived.

5.4. Form of Payment. Unless otherwise specified in this Plan, the benefits payable from any Account under this Plan shall be paid in the form of benefit as provided, and specified by the Participant in the Form of Payment Designation. The most recently submitted Form of Payment Designation shall be effective for the entire vested Account balance unless amended in writing by the Participant and delivered to the Committee. If, at the time payment of benefits under this Plan become due and payable, the Participant's most recent election as to the form of payment was made within one (1) year of such payment, then the most recent election made by

the Participant more that one year prior to the time of payment shall be used to determine the form of payment. The permitted forms of benefit payments with respect to the Retirement Account are:

a) A lump sum amount which is equal to the vested Account balance; and,
b) Annual installments for a period of up to ten (10) years where the annual payment shall be equal to the balance of the Account or sub-account immediately prior to the payment, multiplied by a fraction, the numerator of which is one (1) and the denominator of which commences at the number of annual payment initially chosen and is reduced by one (1) in each succeeding year. Interest on the unpaid balance shall be based on the most recent allocation among the available Valuation Funds chosen by the Participant, made in accordance with Section 4.3, above.

5.5. Small Account. If the total of a Participant's vested, unpaid Account balances as of the Participant's Retirement

is less than $50,000, the remaining unpaid, vested Account(s) shall be paid in a lump sum, notwithstanding any election by the Participant to the contrary.

5.6. Withholding; Payroll Taxes. Company shall withhold from any payment made pursuant to this Plan any taxes required to be withheld from such payments under local, state or federal law. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Section 3405(a)(2) of the Code, or any successor provision thereto.

5.7. Payment to Guardian. If a Plan benefit is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of the property, the Committee may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution. Such distribution shall completely discharge the Committee and Company from all liability with respect to such benefit.

5.8. Effect of Payment. The full payment of the applicable benefit under this Article V shall completely discharge all obligations on the part of the Company to the Participant (and the Participant's Beneficiary) with respect to the operation of this Plan, and the Participant's (and Participant's Beneficiary's) rights under this Plan shall terminate.

ARTICLE VI - BENEFICIARY DESIGNATION

6.1. Beneficiary Designation. Each Participant shall have the right, at any time, to designate one (1) or more persons or entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant's death prior to complete distribution of the Participant's vested Account balance. Each Beneficiary designation shall be in a written form prescribed by the Committee and shall be effective only when filed with the Committee during the Participant's lifetime. Designation by a married Participant to the Participant's spouse of less than a fifty percent (50%) interest in the benefit due shall not be effective unless the spouse executes a written consent that acknowledges the effect of the designation, or it is established that the consent cannot be obtained because the spouse cannot be located.

6.2. Changing Beneficiary. Any Beneficiary designation may be changed by an unmarried Participant without the consent of

the previously named Beneficiary by the filing of a new Beneficiary designation with the Committee. A married Participant's Beneficiary designation may be changed by a Participant with the consent of the Participant's spouse as provided for in Section 6.1 above, by the filing of a new designation shall cancel all designations previously filed.

6.3. Change in Marital Status. If the Participant's marital status changes after the Participant has designated a Beneficiary, the following shall apply:

a) If the Participant is married at death but was unmarried when the designation was made, the designation shall be void unless the spouse has consented to it in the manner prescribed in Section 6.1 above.
b) If the Participant is unmarried at death but was married when the designation was made:
i) The designation shall be void if the spouse was named as Beneficiary.
ii) The designation shall remain valid if a non-spouse Beneficiary was named.
c) If the Participant was married when the designation was made and is married to a different spouse at death, the designation shall be void unless the new spouse has consented to it in the manner prescribed in Section 6.1 above.

6.4. No Beneficiary Designation. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits,

the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:
a) The Participant's surviving spouse;
b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves surviving issue, then such issue shall take by right of representation the share the deceased child would have taken if living;
c) The Participant's estate.

6.5. Effect of Payment. Payment to the Beneficiary shall completely discharge the Company's obligations under this Plan.

ARTICLE VII - ADMINISTRATION

7.1. Committee; Duties. This Plan shall be administered by the

Committee, which shall consist of not less than three (3) persons appointed by the CEO, except after a Change in Control as provided in Section 7.5 below. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under this Plan.

7.2. Agents. The Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

7.3. Binding Effect of Decisions. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

7.4. Indemnity of Committee. The Company shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the Committee, except in the case of gross negligence or willful misconduct.

7.5. Election of Committee After Change in Control. After a Change in Control, vacancies on the Committee shall be filled by majority vote of the remaining Committee members and Committee members may be removed only by such a vote.

If no Committee members remain, a new Committee shall be elected by majority vote of the Participants in the Plan immediately preceding such Change in control. No amendment shall be made to Article VII or other Plan provisions regarding Committee authority with respect to the Plan without prior approval by the Committee.

ARTICLE VIII - CLAIMS PROCEDURE

8.1. Claim. Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "Claimant"), or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing as soon as practicable.

8.2. Denial of Claim. If the claim or request is denied, the written notice of denial shall state:

a) The reasons for denial, with specific reference to the Plan provisions on which the denial is based;
b) A description of any additional material or information required and an explanation of why it is necessary; and
c) An explanation of the Plan's claim review procedure.

8.3. Review of Claim. Any Claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing to the Committee. Such request must be made within sixty (60) days after receipt by the Claimant of the written notice of denial, or in the event Claimant has not received a response sixty (60) days after receipt by the Committee of Claimant's claim or request. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the Claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

8.4. Final Decision. The decision on review shall normally be made within sixty (60) days after the Committee's receipt of claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the Claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE IX - AMENDMENT AND TERMINATION OF PLAN

9.1. Amendment. The Board may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiary receiving installment payments, subject to the following:

a) Preservation of Account Balance. No amendment shall reduce the amount accrued in any Account as of the date such notice of the amendment is given.
b) Changes in Interest Rate. No amendment shall reduce, either prospectively or retroactively, the rate of Interest to be credited to the amount already accrued in any of the Participant's Accounts and any amounts credited to the Account under Deferral Commitments already in effect on that date, except as may be provided in section 2.21, above as a result of a selection or deletion of available Valuation Funds. Future Account Balances will depend on the Valuation

Fund Performance.

9.2. Company's Right to Terminate. The Board may at any time partially or completely terminate the Plan if, in its judgement, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder would not be in the best interests of Company.

a) Partial Termination. The Board may partially terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Deferral Commitments entered into prior to the effective date of such partial termination.

b) Complete Termination. The Board may completely terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments, and by terminating all ongoing Deferral Commitments. In the event of complete termination, the Plan shall cease to operate and Company shall distribute each Account to the appropriate Participant. Payment shall be made as a lump sum or in the number of annual installments indicated below based on the sum of the Participant's Account Balances at the time of termination of the Plan by the Board where the annual payment shall be equal to the balance of the Accounts immediately prior to the payment, multiplied by a fraction, the numerator of which is one (1) and the denominator of which commences at the number of annual payment indicated below and is reduced by one (1) in each succeeding year:

Account Balance	Payout Period
Less than $10,000	Lump Sum
$10,000 but less than $50,000	3 Years
More than $50,000	5 Years

Interest on the unpaid balance shall be based on the most recent allocation among the available Valuation Funds chosen by the Participant in accordance with Section 4.3, above.

ARTICLE X - MISCELLANEOUS

10.1. Unfunded Plan. This plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as

amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and make no further benefit payments or remove certain employees as Participants if it is determined by the United States Department of Labor, a court of competent jurisdiction, or an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3 (2) of ERISA (as currently in effect or hereafter amended) which is not so exempt.

10.2. Company Obligation. The obligation to make benefit payments to any Participant under the Plan shall be an obligation solely of the Company with respect to the deferred Compensation receivable from, and contributions by, that Company and shall not be an obligation of another company.

10.3. Unsecured General Creditor. Notwithstanding any other provision of this Plan, Participants and Participants' Beneficiary shall be unsecured general creditors, with no secured or preferential rights to any assets of Company or any other party for payment of benefits under this Plan. Any property held by Company for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. Company's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

10.4. Trust Fund. Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, Company may establish one (1) or more trusts, with such trustees as the Board may approve, for the purpose of assisting in the payment of such benefits.

Although such a trust shall be irrevocable, its assets shall be held for payment of all Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of Company.

10.5. Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual

payment pursuant to the terms of this Plan be subject to seizure or sequestration for the payment of any debts, judgements, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency. All amounts credited under this Plan to any Participant's Account constitute property of the Company until payment is in fact made to the Participant pursuant to the terms hereof.

10.6. Not a Contract of Employment. This Plan shall not constitute a contract of employment between Company and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Company or to interfere with the right of the Company to discipline or discharge a Participant at any time.

10.7. Protective Provisions. A Participant will cooperate with Company by furnishing any and all information requested by Company, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Company may deem necessary and taking such other action as may be requested by Company. Participants may also be required to enroll in Life Insurance Programs as determined by the Company providing equal benefits under the Company's Group Life Insurance Program.

10.8. Governing Law. The provisions of this Plan shall be construed and interpreted according to the laws of the State of Missouri, except as preempted by federal law.

10.9. Validity. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.10. Notice. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to the company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in company's records.

10.11. Successors. The provisions of this Plan shall bind and inure to the benefit of Company and its successors and

assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Company, and successors of any such corporation or other business entity.

EXHIBIT 21

SUBSIDIARIES OF INSITUFORM TECHNOLOGIES, INC.

The following table sets forth certain information as of December 31, 1998 concerning the Company and certain of its subsidiaries. Unless otherwise indicated all securities of such subsidiaries are owned by the Company:

<TABLE>
<CAPTION>

Name	Place of Incorporation	% of Voting Securities
<S>	<C>	<C>
Affholder, Inc.	Missouri	100(1)
INA Acquisition Corp.	Delaware	100
Insituform Technologies USA, Inc.	Delaware	100(1)
Insituform France S.A.	France	66.6(2)
Insituform Gulf South, Inc.*	Delaware	100
Insituform Holdings (UK) Ltd.	United Kingdom	100(2)
Insituform Japan K.K.	Japan	100(2)
Insituform Licensees B.V./S.A.****	Netherlands and Delaware	100(2)
Insituform Linings Plc.	United Kingdom	51(3)
Insituform Mid-America, Inc.*	Delaware	100
Insituform Midwest, Inc.**	Delaware	100
Insituform Missouri, Inc.**	Delaware	100(1)
Insituform (Netherlands) B.V.	Netherlands and Delaware	100(4)
Insituform of New England, Inc.*	Massachusetts	100
Insituform North, Inc.**	Delaware	100(1)
Insituform Plains, Inc.*	Delaware	100(1)
Insituform de Puerto Rico, Inc.*	Delaware	100(1)
Insituform Rockies, Inc.*	Delaware	100(1)
Insituform Southeast, Inc.*	Florida	100(1)
Insituform Southwest, Inc.	Delaware	100
Insituform Technologies Limited	Alberta	100(1)
Insituform Technologies Limited	United Kingdom	100(3)
Insituform Texark, Inc.*	Delaware	100(1)
Insituform West, Inc.***	Oregon	100
Insituform Mar-Tech Limited*****	Alberta	100(5)
Midsouth Partners		

(partnership)	Tennessee (Partnership)	57.5(6)
NuPipe, Inc.***	Oregon	100
NuPipe International, Inc.***	Delaware	100(7)
NuPipe Limited	United Kingdom	100(3)

Name	Place of Incorporation	% of Voting Securities
PALTEM Systems, Inc.***	Delaware	100(1)
Tite Liner NRO Corp.	Alberta	100(1)
United Pipelines Argentina S.A.	Argentina	100(1)
United Pipeline de Mexico S.A. de C.V.	Mexico	55(1)
United Pipeline Systems USA, Inc.	Delaware	100(1)
United Sistema de Tuberias Ltda.	Chile	100(8)
Video Injection S.A.	France	80(2)

Other subsidiaries of the Company are not named in the table above. Such unnamed subsidiaries considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

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(1) Securities are owned by Insituform Mid-America, Inc. which, effective December 31, 1998, was merged into the Company.
(2) Securities are owned by INA Acquisition Corp.
(3) Securities are owned by Insituform Holdings (UK) Ltd.
(4) Securities are owned by Insituform Licensees B.V./S.A.; which, effective December 31, 1998, was merged into INA Acquisition Corp.
(5) Securities are owned by Insituform Technologies Limited (Alberta).
(6) Securities are owned 42.5% by E-Midsouth, Inc.(a wholly-owned subsidiary of the Company which, effective December 31, 1998, was merged into the Company, and 15% by Insituform Southwest, Inc.
(7) Securities are owned by NuPipe, Inc.
(8) Securities are owned 60% by Insituform Mid-America, Inc. (which, effective December 31, 1998, was merged into the Company) and 40% by INA Acquisition Corp.

* Effective December 31, 1998, such subsidiary was merged into the Company.
** Effective December 31, 1998, such subsidiary was merged into Insituform Technologies USA, Inc.
*** Effective March 31, 1999, such subsidiary will be merged into the Company.

**** Effective December 31, 1998, such subsidiary was merged into INA Acquisition Corp.
***** Effective December 31, 1998, such subsidiary was merged into Insituform Technologies Limited (Alberta).

</TABLE>

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated February 17, 1999, included in Insituform Technologies, Inc.'s 1998 Form 10-K, into the Company's previously filed Registration Statements on Form S-8 Nos. 33-82486, 33-82488 and 33-63953.

s/Arthur Andersen LLP

ARTHUR ANDERSEN LLP

St. Louis, Missouri,
March 26, 1999

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