

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

Commission file number 0-10786

INSITUFORM TECHNOLOGIES, INC.

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(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

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(Address of principal executive offices)

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(Zip Code)

Registrant's telephone number, including area code: 636-530-8000

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

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

Title of each class	Name of each exchange on which reported
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Class A Common Shares, \$.01 par value	The Nasdaq Stock Market
Preferred Stock Purchase Rights	The Nasdaq Stock Market

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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes [ X ] No [ ]

State the aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 28, 2002: \$452,924,981(1)

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 shares, \$.01 par value, as of March 17, 2003 . . . . . 26,459,115 shares

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(1) The aggregate market value as of June 28, 2002 (the last business day of the registrant's most recently completed second fiscal quarter) was calculated in accordance with the provisions of Form 10-K, and excludes stock held by affiliates of the registrant (i.e., executive officers and directors of the registrant and persons holding 10% or more of the registrant's stock). The aggregate market value without these exclusions, as reported as of March 17, 2003, was \$343,968,495.

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 2003 Annual

PART I

Item 1. Business

GENERAL

Insituform Technologies, Inc. (the "Company" or "Insituform Technologies") is a worldwide company specializing in the use of trenchless technologies to rehabilitate, replace, maintain and install underground pipes. The Company uses a variety of trenchless technologies. The Insituform(R) cured-in-place pipe process (the "Insituform CIPP Process") contributed approximately 65.5% of the Company's revenues during the Company's most recent fiscal year.

The Company was incorporated in Delaware in 1980, under the name Insituform of North America, Inc. The Company was originally formed to act as the exclusive licensee of the Insituform CIPP Process in most of the United States. When the Company acquired its licensor in 1992, the name of the Company was changed to Insituform Technologies, Inc. As a result of its successive licensee acquisitions, the Company's business model has evolved from licensing technology and manufacturing materials to performing the entire Insituform CIPP Process itself.

In February 2001, the Company acquired Kinsel Industries, Inc. ("Kinsel"), a trans-regional provider of pipebursting and other sewer rehabilitation services. In 2000, Kinsel had total revenues of approximately \$100 million, which included approximately \$18 million from its wastewater treatment plant operations, approximately \$32 million from trenchless pipe rehabilitation services and some open-cut pipe construction, and approximately \$50 million from highway, bridge, airport and commercial construction. During 2001, the Company determined that, while valuable and profitable, the Kinsel wastewater treatment plant operations and the Kinsel highway construction and maintenance operations did not fit the Company's business strategy, and classified these operations as discontinued. In February 2002 (with a January 2002 effective date), the Company closed the sale of Kinsel's wastewater treatment plant operations and recorded a slight loss on the sale. The Company closed the sale of Kinsel's highway construction operations in September 2002 with a pre-tax gain of \$1.5 million. In October 2002, the Company closed the sale of Kinsel's highway maintenance operations with no gain or loss recorded on the sale.

Effective May 1, 2002, the Company acquired the business and certain assets and liabilities of Elmore Pipe Jacking, Inc. ("Elmore"), a tunneling and pipe jacking provider operating primarily in the western United States. The Elmore division, which is part of the tunneling segment, had approximately \$20.7 million of revenues after the acquisition in 2002.

As used in this Annual Report on Form 10-K, the terms "Company" and "Insituform Technologies" refer to the Company and, unless the context otherwise requires, its direct and indirect wholly-owned subsidiaries. For certain information concerning each of the Company's industry segments and each of its domestic and foreign operations, see Note 15 of the Notes to the Company's Consolidated Financial Statements included in response to "Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K," which is incorporated herein by reference.

The Company's website is [www.insituform.com](http://www.insituform.com). The Company makes available on this website under "Investor Relations - SEC," free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

TECHNOLOGIES

Pipeline System Rehabilitation

The Insituform CIPP 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.

Pipebursting is a trenchless method for replacing deteriorated or undersized pipelines. A bursting head is propelled through the existing pipeline, fracturing the host pipe and displacing the fragments outward, allowing a new pipe to be pulled in to replace the old line. Pipes can be replaced size-for-size or upsized.

Microtunneling is a trenchless method of drilling a new tunnel from surface operated equipment. Microtunneling is typically used for gravity sewers at depths greater than 15 feet, in congested areas, where unstable ground conditions exist, where construction is below the water table, or where contamination zones are present.

Sliplining is a method used to push or pull a new pipeline into an old one. With segmented sliplining, short segments of pipe are joined to form the new pipe. For gravity sewer rehabilitation, these short segments can often be joined in a manhole or access structure, eliminating the need for a large pulling pit.

The Insituform SP(TM) (Structural Panels) Process uses a proprietary product to rehabilitate large diameter sanitary or storm sewers. A proprietary process is used to construct fiberglass reinforced panels to custom size and thickness. The panels are individually placed in the sewer and the seams are sealed.

See "Patents and Licenses" below for information concerning these technologies and the Company's NuPipe(R) process (the "NuPipe Process") and Thermopipe(R) process (the "Thermopipe Process"), which were not material to the Company's results of operations during the year ended December 31, 2002.

#### Tunneling

Tunneling typically encompasses the construction of man-entry sized pipelines with access through vertical shafts. From the vertical shaft, a tunnel is constructed using a steerable, locally-controlled tunnel boring machine. Pipe is installed after the tunnel is constructed.

#### TiteLiner(R) Process

The Company's TiteLiner(R) process (the "TiteLiner Process") is a method of lining new and existing steel pipe with a corrosion and abrasion resistant polyethylene pipe.

#### REHABILITATION ACTIVITIES

The Company's rehabilitation activities are conducted principally through installation and other construction operations performed directly by the Company or through wholly-owned and, in some cases, majority-owned, subsidiaries. In those areas of the world in which the Company's management believes it would not be desirable for the Company to exploit its trenchless processes directly, and in a portion of the United States, 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 exploit its trenchless rehabilitation processes. Under these contractual joint venture relationships, work is bid by the joint venture entity and subcontracted to the joint venture partners or to third parties. The joint venture partners are primarily responsible for their subcontracted work, but both joint venture partners are liable to the customer for all of the work. Revenue and associated costs are recorded using percentage of completion accounting for the Company's subcontracted portion of the total contract.

The Company's principal rehabilitation activities are conducted in North America directly by the Company or through subsidiaries. The Company holds the Insituform CIPP Process rights for the United States and Canada. In North America, the Company practices the Insituform CIPP Process in substantially all of 44 of the 50 states and in Canada. Significant pipebursting rehabilitation activities are conducted in the southeastern and western regions of the United States by the Company and its subsidiary, Kinsel.

North American rehabilitation operations, including research and development, engineering, training and financial support systems, are headquartered in Chesterfield, Missouri. Insituform CIPP Process tube manufacturing and installation facilities are maintained in approximately 13 locations, geographically dispersed throughout the United States and Canada.

Outside of North America, the Company conducts Insituform CIPP Process rehabilitation operations through subsidiaries in the United Kingdom, France, Spain, the Netherlands and Belgium. Through its French subsidiary, Video Injection S.A. ("Video Injection"), acquired in 1998, the Company utilizes multifunctional robotic devices developed by Video Injection in connection with the inspection and repair of pipelines.

European operations are headquartered in Rueil Malmaison, France, a suburb of Paris, with principal regional facilities located in the United Kingdom, the Netherlands, Spain, Belgium and Mitry Mory, France.

The Company conducts tunneling, microtunneling and a range of pipe system rehabilitation services throughout the United States through its wholly-owned subsidiaries, Affholder, Inc. and Kinsel Industries, Inc.

TiteLiner Process operations (which offer corrosion and abrasion protection work) are conducted in the United States through the Company's United Pipeline Systems division. Worldwide TiteLiner Process operations are headquartered in the United States. Outside the United States, TiteLiner Process installation activities are conducted through various operating subsidiaries.

Most of the Company's installation operations are project-oriented contracts for governmental entities. The contracts are usually obtained through competitive bidding or negotiations and require performance at a fixed price. The profitability of these contracts depends heavily upon the competitive bidding environment, the Company's ability to estimate costs accurately and the Company's ability to effectively manage and execute project performance. Project estimates may prove to be inaccurate due to unforeseen conditions or events. A substantial portion of the work on any given project may be subcontracted out to third parties at a significantly lower profitability level to the Company than work

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conducted directly by it. Also, proper trenchless installation requires expertise that is acquired on the job and through training. The Company, therefore, provides ongoing training and appropriate equipment to its field installation crews.

The overall profitability of the Company's installation operations is influenced not only by the profitability of specific project contracts, but also by the volume and timing of projects so that the installation operations are able to operate at, or near, capacity.

The Company is required to carry insurance and provide bonding in connection with certain installation projects and, therefore, 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 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 generally invoices its customers as work is completed. Under ordinary circumstances, collection from governmental agencies in the United States is made within 60 to 90 days of billing. In most cases, 5% to 15% of the contract value is withheld by the owner until testing is completed or the warranty period has expired.

The Company's principal rehabilitation activities are also conducted through the following majority-owned subsidiaries:

Subsidiary	Interest
Video Injection S.A.	89.6% of stock (1)
Insituform Linings Plc	75% of stock (2)

(1) The remaining interest is held by certain of the subsidiary's principal employees (or their affiliates) from whom the subsidiary was purchased, and is subject to purchase by the Company in September 2003 (or earlier upon specified events), and by certain of the Company's principal employees to comply with specific legal requirements.

(2) The remaining interest is held by Per Aarsleff A/S.

#### LICENSEES

The Company has granted licenses for the Insituform CIPP 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. At present, the Insituform CIPP Process is licensed to 11 unaffiliated licensees and sublicensees, and the NuPipe Process is licensed to three unaffiliated licensees. The licenses generally grant to the licensee the right to utilize the know-how and the patent rights (where they exist) relating to the subject process, and to use the Company's copyrights and trademarks.

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. An unaffiliated domestic licensee is obligated to pay specified royalty surcharges on its sales and contracts outside of its licensed territories. 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.

The Company acts as licensor under arrangements relating to the use of the Thermpipe Process in the United Kingdom and elsewhere on a non-exclusive basis.

Insituform East, Incorporated ("East") holds six sub-licenses to the Insituform CIPP Process to operate in the states of Virginia, Delaware, Maryland, Pennsylvania, Ohio, a portion of Kentucky, West Virginia and the District of Columbia under the Company's exclusive license to the Insituform CIPP Process for the entire United States. (The United States rights to the Insituform CIPP Process are owned by the Company's subsidiary, Insituform (Netherlands) B.V. ("Insituform Netherlands")). Pursuant to a July 1999 settlement agreement with East and several affiliates of East (the "Settlement Agreement"), Midsouth Partners, an affiliate of East, retains a limited, non-exclusive right in Midsouth Partners' former territory to utilize the Insituform CIPP Process and technology in the condition and state as commercially practiced on the date of settlement.

As previously reported by the Company, the Company and Insituform Netherlands initiated litigation against East and Midsouth Partners in Federal District Court for the Middle District of Tennessee (Civil Action No. 3-99-1130) and filed an Amended Complaint on June 13, 2000, alleging among other matters, trademark violations and a non-curable breach of the Settlement Agreement; and, seeking: (i) the right to terminate the grant of the limited license to Midsouth Partners under the Settlement Agreement; (ii) the affirmation of East's

obligations to make royalty payments and cross-over royalty payments on work performed by East or any of its affiliates within the scope of the subject matter of East's sub-licenses outside East's licensed territories under East's sub-licenses; and (iii) a declaration that the Company is not obligated to continue payment of certain finder's fees to East. The court issued a preliminary bench ruling on February 22, 2002 in favor of the Company on point (ii), except with respect to Midsouth Partners, and in favor of the Company on point (iii). The court ruled against the Company on point (i), finding that Midsouth Partners had not committed a material breach of the Settlement Agreement, nor had Midsouth Partners committed violations permitting termination. After issuance of a final ruling from the court affirming the preliminary findings, the parties agreed not to appeal the ruling and to conclude the litigation.

#### OWNERSHIP INTERESTS IN OPERATING LICENSEES AND PROJECT JOINT VENTURES

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

The Company, through its subsidiary, INA Acquisition Corp., holds one-half of the equity interest in Italcontrolli-Insituform S.r.l., the Company's licensee of the Insituform CIPP Process in Italy. The remaining interest is held by Per Aarsleff. The joint venture partners have rights-of-first-refusal in the event either party determines to divest its interest.

The Company holds a 49% joint venture interest in Ka-Te Insituform A.G., the Company's licensee of the Insituform CIPP Process in Switzerland, Liechtenstein and Voralberg, Austria. The remaining interest is held by Ka-Te Holding A.G., an employee of Ka-Te Holding, and an employee of the joint venture.

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The Company has entered into several contractual joint ventures in order to develop joint bids on contracts for its pipeline rehabilitation business, and for tunneling operations. Typically, the joint venture entity holds the contract with the owner and subcontracts portions of the work to the joint venture partners. As part of the subcontracts, the partners usually provide bonds to the joint venture. The Company could be required to complete its joint venture partner's portion of the contract if the partner is unable to complete its portion and a bond is not available. The Company continues to investigate opportunities for expanding its business through such arrangements.

#### MARKETING

The marketing of the Company's rehabilitation technologies is focused primarily on the municipal wastewater markets worldwide, which the Company expects to remain the largest part of its business for the foreseeable future. To help shape decision-making at every step, the Company uses a multi-level sales force structured around target markets and key accounts, focusing on engineers, consultants, administrators, technical staff and elected officials. The Company also 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. The Company's unaffiliated licensees are responsible for marketing and sales activities in their respective territories. See "Licensees" above for a description of the Company's licensing operations and for a description of investments in licensees.

The Company offers its TiteLiner Process worldwide to line new and existing steel pipelines.

The Company bids on tunneling projects in selected geographical markets in the United States.

No customer accounted for more than 10% of the Company's consolidated revenues during the years ended December 31, 2002, 2001 and 2000, respectively.

BACKLOG

December 31, 2002

	Contract Backlog	Apparent Low Bid Expected in Next 12 Months	Unreleased Term Expected in Next 12 Months	Apparent Low Bid and Unreleased Term Available beyond 12 Months
	-----	-----	-----	-----
	(In millions)			
Rehabilitation*	\$112.1	\$27.2	\$34.3	\$20.9
Tunneling	110.0	-	-	-
TiteLiner	5.1	-	-	-
	-----	-----	-----	-----
Total	\$227.2	\$27.2	\$34.3	\$20.9
	=====	=====	=====	=====

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December 31, 2001

	Contract Backlog	Apparent Low Bid Expected in Next 12 Months	Unreleased Term Expected in Next 12 Months	Apparent Low Bid and Unreleased Term Available Beyond 12 Months
	-----	-----	-----	-----
	(In millions)			
Rehabilitation*	\$125.8	\$ 7.0	\$64.0	\$131.2
Tunneling	36.4	11.0	-	61.9
TiteLiner	2.1	-	-	-
	-----	-----	-----	-----
Total	\$164.3	\$18.0	\$64.0	\$193.1
	=====	=====	=====	=====

\* Beginning in 2003, the Company is implementing more strict criteria for the recording of an order and its inclusion in backlog. To enable future comparability, backlog results at December 31, 2001 and 2002 have been revised from results previously communicated. As a result of this change, at December 31, 2001, the combined apparent low bid and unreleased term expected in the next 12 months was reduced by \$16.0 million and apparent low bid and unreleased term available beyond 12 months was reduced by \$17.7 million. Backlog at December 31, 2002 was reduced by \$31.7 million from the amount previously communicated.

Contract backlog is management's expectation of revenues to be generated from received, signed, uncompleted contracts whose cancellation is not anticipated at the time of reporting. Reported contract backlog excludes any term contract amounts for which there is not specific and determinable work released. At December 31, 2002, the Company's 2003 contract backlog (excluding projects where the Company has been advised that it is the low bidder, but not formally awarded the contract) was approximately \$227.2 million, which represents an increase of \$62.9 million from the 2002 contract backlog reported at December 31, 2001. With the exception of tunneling, the Company anticipates that substantially all contract backlog recorded at December 31, 2002 and an additional \$61.5 million of unreleased term contracts and jobs on which the Company is the apparent low bidder will be completed in 2003. Tunneling contract

backlog at December 31, 2002 includes an estimated \$30.0 million available beyond 2003. The Company estimates that a further \$20.9 million of unreleased term contracts and jobs on which the Company is the apparent low bidder will be available beyond 2003. Backlog estimates beyond one year are inherently subject to greater uncertainty due to their long-term nature. The Company estimated that at December 31, 2001, \$193.1 million of unreleased term contracts and jobs on which the Company was the apparent low bidder would be available in 2003 and beyond. See the following discussion of backlog adjustments occurring during 2002. All backlog values are the estimate of management based on contracts outstanding December 31, 2002 and are subject to change due to factors beyond the control of the Company, such as modification or cancellation of the contract award. See "Forward-Looking Information" discussion in Item 7.

The Company previously announced that up to \$98.6 million of total recorded backlog associated with the Jacksonville Electric Authority ("JEA") term contract was potentially at risk. The five-year JEA term contract was awarded to PM Construction & Rehabilitation, L.P. and Kinsel Industries, Inc., a Joint Venture (the "Joint Venture") in November 2000, for a not to exceed amount of \$380 million. In the third quarter of 2002, JEA informed the Company that while they do not plan to cancel the contract, they intended to release \$20 million to the Joint Venture in 2002 with the remainder of the work being sent to bid. The impact was a reduction in unreleased backlog of \$98.2 million during the third quarter of 2002. The contract calls for a minimum of 150,000 feet installed per year or the Company will receive pay for downtime. The Company estimates this to be the equivalent of approximately \$20 million per year, of which the Company's interest is approximately \$10 million. JEA has not changed the "not to exceed amount" under the contract. As a result, the Company adjusted reported backlog as of December 31, 2002 to reflect only the contract minimums of \$25.6 million for the Company's portion of work expected during the remaining contract term. The Company has included \$10 million of the expected remaining work in

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apparent low bid and unreleased term expected in the next 12 months; the remaining \$15.6 million is expected beyond 2003.

#### PRODUCT DEVELOPMENT

The Company, by utilizing its own laboratories and test facilities as well as 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. During the years ended December 31, 2002, 2001 and 2000, the Company spent approximately \$2.0 million, \$2.3 million and \$2.4 million, respectively, on research and development activities.

#### MANUFACTURING AND SUPPLIERS

The Company maintains its principal North American Insituform CIPP Process liner manufacturing facility in Batesville, Mississippi, with an additional facility located in Memphis, Tennessee. The Company is in the process of evaluating various alternatives regarding modifications, upgrades and revisions to its manufacturing facilities and will likely incur costs of up to \$5.6 million for these matters as part of its 2003 planned capital expenditures. In Europe, Insituform Linings Plc ("Linings"), a majority-owned subsidiary, manufactures and sells Insituform CIPP Process liners from its plant located in Wellingborough, United Kingdom. The Company holds a 75% interest in Linings and Per Aarsleff the remainder, which interests are subject to rights of first refusal held by the Company and Per Aarsleff in the event of any proposed disposition.

Although raw materials used in the Company's Insituform CIPP Process 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 at its Insitutube(R) 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 the Company has worked with one vendor to develop a uniform and standard resin to source substantially all of its resin requirements in North America, the Company believes that resins are also readily available from a number of major companies should there be a need for alternative resin sourcing. The Company believes that the sources of supply in connection with its Insituform CIPP Process operations are adequate for its



needs.

The Company has investigated various alternatives, but does not currently have, a manufacturing source for its NuPipe Process thermoplastic pipe. Because of its inventory level of NuPipe Process thermoplastic pipe and because the Company has not recently entered into NuPipe Process installation contracts and it is not required to supply thermoplastic pipe to its NuPipe licensees, the Company has not been materially adversely affected by not having a manufacturing source for thermoplastic pipe. If the demand for NuPipe Process products increases, the Company will qualify a new manufacturing source or manufacture NuPipe Process thermoplastic pipe itself. See further discussion under "Patents and Licenses" below.

The Company has received a contractual commitment from the provider for the manufacture and supply of Thermopipe Process products to the Company through 2004.

The Company sells Insituform CIPP Process liners and related products to certain licensees pursuant to fixed-term supply contracts. Under the arrangements assumed in connection with the acquisition of the Thermopipe Process, the Company also furnishes Thermopipe Process products to its approved contractors and licensees.

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The Company manufactures certain equipment used in its corrosion and abrasion protection operations.

#### PATENTS AND LICENSES

As of December 31, 2002, the Company held 65 patents in the United States relating to the Insituform CIPP Process, the last of which to expire will remain in effect until 2017. As of December 31, 2002, the Company had 10 patents pending in the United States that relate to the Insituform CIPP Process.

The Company has obtained patent protection in its principal overseas markets covering various aspects of the Insituform CIPP Process. 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. The Company's business could be adversely affected by increased competition upon expiration of the patents or if one or more of its Insituform CIPP Process patents were adjudicated to be invalid or inadequate in scope to protect the Company's operations. The Company believes, however, that, in either case, its long experience with the Insituform CIPP Process, its continued commitment to support and develop the Insituform CIPP 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.

The Company holds 12 patents issued in the United States covering either the NuPipe Process or materials used in connection with the NuPipe Process. The Company also holds similar NuPipe Process (or related material) patents in 14 other countries. Due to reduced installation volumes and current lack of a supplier for NuPipe during 2002, the Company reduced the carrying value of its NuPipe patents and licenses in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which the Company early adopted in 2001. The NuPipe Process entails the manufacture of a folded thermoplastic replacement pipe that is stored on a reel in a reduced shape. The pipe is heated at the installation site to make it flexible enough to be inserted into an existing conduit. It is then pulled into place and sequentially expanded to match the existing conduit by internal heat and pressure and by progressive rounding, creating a tight fit against the conduit being repaired.

The Company holds two patents issued in the United States and 10 patents outside of the United States relating to the Thermopipe Process for rehabilitating potable water and other aqueous fluid pipes.

Even though the Company holds a few patents relating to its corrosion and abrasion protection business, the Company believes that the success of its TiteLiner Process business, operated through its United Pipeline Systems division, depends primarily upon its proprietary know-how and its marketing and sales skills.

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, which includes the Paltem-Frepp system, for substantially all of North America and, on a non-exclusive basis, additional territories in the eastern hemisphere and Latin America. Under the license, the Company is required to pay royalties at specified rates on installations and sales of liners. During the year ended December 31, 2002, the Company did not have any operations under this license.

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The Company's pipebursting operations are performed under royalty-bearing, non-exclusive licenses from BG Plc. The licenses terminate upon expiration of the underlying patent, which expires on April 19, 2005. In addition, either party may terminate the license upon six months' notice and under certain other circumstances. In 2002, the Company paid \$1.1 million to BG Plc. under the license.

#### COMPETITION

The markets in which the Company operates are highly competitive. Most of the Company's products, including the Insituform CIPP Process, face direct competition from competitors offering similar or equivalent products or services. In addition, clients can select a variety of methods to meet their pipe installation and rehabilitation needs, including a number of methods the Company does not offer.

Most of the Company's installation operations are either project-oriented or term contracts for governmental entities that are obtained through competitive bidding or negotiations. Most competitors are local or regional companies, and may be either specialty trenchless contractors or general contractors. A few competitors have far greater financial resources than the Company and, with regard to products other than the cured-in-place process, may have greater experience than the Company. Therefore, there can be no assurance as to the success of the Company's trenchless processes in competition with these companies and alternative technologies for pipeline rehabilitation.

#### SEASONALITY

The Company's operations can be affected by severe weather. The effects of weather are most notable between quarters of any given year. Typically, the summer months yield the strongest operational results, while the first quarter is normally more weak due to weather. Unusually severe weather in any area with a large project, or a significant number of smaller jobs, can cause short-term anomalies in operational performance. Only the tunneling segment is relatively immune to weather induced variability in operating results. 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, 2002, the Company employed 1,938 individuals. Certain of the Company's contracting operations are parties to collective bargaining agreements covering an aggregate of 391 employees. The Company generally considers its relations with its employees to be good.

#### GOVERNMENT REGULATION

The Company is required to comply with all applicable United States federal, state and local, and all foreign, statutes, regulations and ordinances. In addition, the Company's installation and other operations have to comply with various relevant occupational safety and health regulations, transportation regulations, 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 installation operations, are subject to state and national environmental protection regulations, none of which presently have any material effect on the Company's capital expenditures, earnings or competitive position in connection with the Company's present business. However, although the

Company's installation operations have established monitoring programs and safety procedures relating to its installation activities and to the use of solvents, further restrictions could be imposed on the manner in which installation activities are conducted, on equipment used in installation activities and on the use of solvents or the thermosetting resins used in the Insituform CIPP Process.

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The Company believes that it is in material compliance with environmental and safety 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. In April 1997, the Insituform PPL(R) liner was certified by the NSF for use in drinking water systems, followed in April 1999 by NSF certification of the Insituform RPP(R) 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. Dedicated equipment is needed in connection with use of these products in drinking water applications. The Company does not expect material revenues from drinking water rehabilitation at least through 2003.

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, 2003	Position with the Company
Anthony W. Hooper	55	Chairman of the Board, President and Chief Executive Officer
Robert W. Affholder	67	Senior Executive Vice President
Joseph A. White	49	Vice President - Chief Financial Officer
Carroll W. Slusher	54	Vice President - North America
Thomas A. A. Cook	38	Vice President - General Counsel

Anthony W. Hooper has been Chairman of the Board of the Company since 1997, and has been President of the Company since 1996. Prior to 1996, Mr. Hooper was Senior Vice President-Marketing and Technology of the Company.

Robert W. Affholder has been Senior Executive Vice President of the Company since 1996. From 1995 to 1996, Mr. Affholder was Senior Vice President-Chief Operating Officer of North American Contracting Operations of the Company. Until its acquisition by the Company in 1995, Mr. Affholder was Vice Chairman and President of Insituform Mid-America, Inc.

Joseph A. White has been Vice President and Chief Financial Officer of the Company since 1999. From 1998 until joining the Company, Mr. White was Vice President and Chief Financial Officer of Key Plastics, an automotive parts manufacturer that filed for bankruptcy reorganization in 2000. From 1997 until 1998, Mr. White was Vice President-Finance for the Becker Group, a manufacturer of automotive interiors.

Carroll W. Slusher has been Vice President-North America of the Company since 1999, having served as the Company's Divisional Vice President-North American Operations from 1998 until 1999 and Director of North American Pipe Rehabilitation from 1997 to 1998.

Thomas A. A. Cook has been Vice President-General Counsel of the Company since 2000 and Secretary of the Company since 2001. Prior to joining the Company, Mr. Cook was a partner in the Corporate/Securities Department at the law firm of Blackwell Sanders Peper Martin LLP, and before June 1998, was with a predecessor firm (Peper Martin Jensen Maichel and Hetlage) in the Corporate/Securities Department.

Item 2. Properties

The Company's executive offices are located in Chesterfield, Missouri, a suburb of St. Louis, at 702 Spirit 40 Park Drive. The executive offices are leased from an unaffiliated party through May 31, 2003. The Company is considering the options available to it following expiration of the lease, including a potential move to other facilities owned by the Company, also located in Chesterfield. The Company owns its research and development facility and its training facility in Chesterfield.

The Company owns a liner fabrication facility and a contiguous felt manufacturing facility in Batesville, Mississippi. The Company's manufacturing facility in Memphis, Tennessee, is located on land sub-leased from an unaffiliated entity for an initial term of 40 years expiring on December 31, 2020. Linings (a majority-owned subsidiary) owns certain premises in Wellingborough, England, where its liner manufacturing facility is located.

The Company owns or leases various operational facilities in the United States, Canada, Europe and Latin America.

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

Item 3. Legal Proceedings

In January 2003, the Company received notice of multiple claims, totaling more than \$3.5 million, from the buyer of the former Kinsel wastewater treatment division. The claims arise out of the February 2002 sale of the Kinsel wastewater treatment division and allege the valuation of the assets sold was overstated. No litigation has been commenced. The Company is investigating the factual basis for these claims.

The Company is involved in certain 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, results of operations or liquidity of the Company. See "Item 1. Business - Rehabilitation Activities."

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 shares, \$.01 par value ("Common Stock"), is traded in the over-the-counter market under the symbol "INSU." The following table sets forth the range of quarterly high and low sales prices commencing after December 31, 2000, 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 -----
2002		
First Quarter	\$ 26.93	\$ 19.60
Second Quarter	28.80	17.75

	Third Quarter	21.81	13.28
	Fourth Quarter	20.18	12.67
2001	First Quarter	\$ 41.06	\$ 26.88
	Second Quarter	37.50	26.48
	Third Quarter	43.20	12.60
	Fourth Quarter	26.80	16.39

As of March 15, 2003, the number of record holders of the Company's Common Stock was 934.

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.

(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 15. 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. The selected financial data set forth below should be read in connection with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements, including the footnotes.

	Unaudited Year Ended December 31,				
	2002 (1,2)	2001 (1,2)	2000 (1)	1999 (1)	1998 (1)
	----	----	----	----	----
	(in thousands, except per share amounts)				
INCOME STATEMENT DATA:					
Revenues	\$480,358	\$445,310	\$409,434	\$339,883	\$300,958
Operating income	50,183	46,765	62,966	50,669	38,688
Income from continuing operations	28,560	24,940	34,906	25,983	17,887
Loss from discontinued operations	(5,869)	(72)	-	-	-
Net income	22,691	24,868	34,906	25,983	17,887
Basic earnings per share:					
Income from continuing operations	1.08	0.94	1.41	1.02	.67
Loss from discontinued operations	(0.22)	-	-	-	-
Net income	0.86	0.94	1.41	1.02	.67

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Dilutive earnings per share:					
Income from continuing operations	1.07	0.93	1.37	1.00	.66
Loss from discontinued operations	(0.22)	-	-	-	-
Net income	0.85	0.92	1.37	1.00	.66
BALANCE SHEET DATA:					
Cash	\$ 75,386	\$ 74,649	\$ 64,107	\$ 68,183	\$ 76,904
Working capital, net of cash	48,844	64,070	50,361	51,997	45,052
Current assets	252,651	259,767	201,008	174,372	170,105
Property, plant and equipment	71,579	68,547	70,226	54,188	56,421
Total assets	473,013	463,622	354,974	311,625	304,608
Current maturities of long-term debt and line of credit	49,360	35,218	18,023	3,188	2,918
Long-term debt, excluding current maturities	67,014	88,853	98,217	114,954	112,131
Total liabilities	198,965	211,940	187,327	170,314	161,395
Total common stock and other stockholders' equity	272,618	250,127	165,290	138,603	139,505

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 (1)The Company has completed various acquisitions that have been accounted for under the purchase method of accounting, including Video Injection in 1998, Insituform Rioolrenovatietechnieken in 1999, Insituform Metropolitan, Inc. in 2000, Insituform Belgium N.V. in 2000, Kinsel in 2001, and Elmore Pipe Jacking, Inc. in 2002.

(2)Results include a pre-tax intangible asset impairment charge of \$3.5 million in 2002 and pre-tax restructuring charges of \$2.5 million and \$4.1 million in 2002 and 2001, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Insituform Technologies' revenues are derived primarily from installation of pipeline liners, replacement pipes and other contracting activities. Revenues are generated by the Company and its subsidiaries operating in the United States, Canada, France, the United Kingdom, the Netherlands, Belgium, Spain and Chile, and include royalties from unaffiliated licensees and sub-licensees. During the three years ended December 31, 2002, 2001 and 2000, approximately 65.5%, 69.8% and 74.0%, respectively, of the Company's consolidated revenues related to the Insituform CIPP Process.

The Company has three principal operating segments: rehabilitation, tunneling and TiteLiner. The segments were determined based upon the types of products sold by each segment and each is regularly reviewed and evaluated separately. See Note 15 to the Consolidated Financial Statements for additional segment information and disclosures.

RESULTS OF OPERATIONS

(\$ IN THOUSANDS)	2002 -----	2001 -----	2000 -----
Revenues	\$480,358	\$445,310	\$409,434
Gross Profit	125,622	124,848	137,073
Gross Profit Margin	26.2%	28.0%	33.5%
Selling, General and Administrative	68,049	66,955	68,825
Amortization Expense	1,433	7,001	5,282
Operating Income	50,183	46,765	62,966
Operating Income Percentage	10.4%	10.5%	15.4%

Consolidated revenues from continuing operations were \$480.4 million, increasing 7.9% over 2001 revenues of \$445.3 million due primarily to growth in the tunneling segment with additional contributions

from rehabilitation. Increases in rehabilitation and tunneling revenues were partially offset by a \$10.7 million decline in TiteLiner revenues. Gross profit increased by 0.6% to \$125.6 million, although gross margins decreased from 28.0% to 26.2% in 2002 versus 2001 due to decreased gross profit margins in the rehabilitation segment. Selling, general and administrative expenses increased 1.6% to \$68.0 million in 2002 due primarily to operating the Kinsel business for two more months in 2002 than in 2001 and the May 2002 purchase of Elmore Pipe Jacking, Inc. operations, the combined impact being a \$2.7 million increase. The elimination of amortization expense related to goodwill beginning in 2002 positively impacted operating income. Goodwill amortization pre-tax was \$6.2 million in 2001 and \$3.8 million in 2000. After restructuring and intangible asset impairment charges of \$2.5 million and \$3.5 million in 2002, operating income was \$50.2 million in 2002, representing an increase of 7.3% over 2001 operating income, which included a \$4.1 million restructuring charge.

Consolidated revenues of \$445.3 million in 2001 represented an 8.8% increase compared to 2000 revenues of \$409.4 million due primarily to the acquisition of Kinsel in February 2001. Lower gross profit margins at Kinsel and a smaller gross profit margin in North American rehabilitation contributed to lower gross profit and gross margin levels in 2001 versus 2000. Selling, general and administrative expenses were \$67.0 million, a decrease of 2.7% compared to

\$68.8 million in selling, general and administrative expenses in 2000. Amortization expense increased \$1.7 million in 2001 due primarily to amortization of goodwill related to the Kinsel acquisition. The resulting operating income, which includes a \$4.1 million restructuring charge, decreased 25.7% to \$46.8 million in 2001 compared to \$63.0 million in 2000.

In the third quarter of 2002, a Company crew had an accident on a cured-in-place pipe project in Des Moines, Iowa. Two workers died and five workers were injured in the accident. The Company fully cooperated with Iowa's state OSHA in the investigation of the accident as well as reviewed its own safety procedures. Included in the estimated costs associated with the accident are the Company's insurance policy deductible, estimated OSHA assessments, lost productivity from the temporary shutdown of two crews and time spent by all cured-in-place pipe process field crews in additional training. The total financial impact of the accident was estimated to be a \$0.04 loss per diluted share in 2002.

#### Rehabilitation

(\$ IN THOUSANDS)	2002	2001	2000
	-----	-----	-----
Revenues	\$377,674	\$369,219	\$325,773
Gross Profit	101,766	107,809	115,500
Gross Profit Margin	26.9%	29.2%	35.5%
Selling, General and Administrative	59,871	60,800	61,530
Amortization Expense	731	6,691	4,972
Operating Income	35,208	36,191	48,997
Operating Income Percentage	9.3%	9.8%	15.0%

Rehabilitation revenues increased 2.3% to \$377.7 million in 2002 compared to 2001 rehabilitation revenues of \$369.2 million due to growth in North American rehabilitation. North American rehabilitation revenues increased approximately 3.7% over 2001 due primarily to the impact of an additional two months of revenue from Kinsel in 2002 compared to 2001. European revenues were relatively flat in 2002 compared to 2001, falling 1.1% to \$47.9 million on weak demand and poor project pricing, primarily in France.

Rehabilitation revenues for 2001 increased 13.3% over 2000 primarily as a result of incremental revenues of \$47.0 million related to the Kinsel acquisition. Excluding the Kinsel acquisition, revenues in North American rehabilitation decreased \$11.6 million or 4.1% to \$269.9 million. The decrease in North America

was a result of delays in job releases, pricing pressures and increased competition in several North American markets. Revenues in Europe increased \$9.4 million or 24.1% to \$48.4 million in 2001 compared to 2000 revenues of \$39.0 million primarily as a result of growth and improvement in market conditions in Europe.

Gross profits for rehabilitation decreased 5.6% to \$101.8 million in 2002 from \$107.8 million in 2001. Gross profit margins also decreased to 26.9% from 29.2% over the same time period. Rehabilitation margins in both North America and Europe drove the decrease, with gross profit dollars eroding 1.6% and 25.7% in each region, respectively. Aggressive pricing in the northeastern United States combined with increased use of subcontractors were the primary causes for the North American decline while pricing pressure and a weak market, primarily in France, resulted in inefficient crew utilization and tighter margins in the European operations.

Gross profit margin for rehabilitation was 29.2% in 2001 versus 35.5% in 2000. The decrease in gross profit margins was primarily a result of lower utilization rates for work crews in North American operations, combined with more aggressive pricing as a result of increased competition in the marketplace. Also, operational capacity had been expanded in anticipation of revenue growth that did not materialize in 2001. Finally, the operations acquired from Kinsel contributed 22.1% of gross profit margin, which represents a lower margin base than typically achieved in the historical rehabilitation segment.

Selling, general and administrative expenses in the rehabilitation business unit were \$59.9 million in 2002, a 1.5% decrease compared to 2001 selling, general and administrative expenses of \$60.8 million. Selling, general and administrative expenses as a percentage of revenues decreased to 15.9% in 2002 from 16.5% in 2001. Although the decrease appears relatively minor, selling, general and administrative expenses for 2002 are inclusive of incentive compensation accruals not recognized in 2001 due to performance. Significant improvements were achieved in Europe in 2002 where initiatives to cut overhead intensified. Kinsel operations also experienced a decrease in selling, general and administrative expenses in 2002 in spite of two additional months of expense as they became more integrated into the overall cost structure of the Company.

Selling, general and administrative expenses for the Company's rehabilitation operations decreased 1.2% in 2001 from 2000 and to 16.5% of revenues in 2001 from 18.9% in 2000 primarily due to a significant reduction in incentive compensation and profit sharing expense, offset by the inclusion of selling, general and administrative expenses related to the operations acquired in the Kinsel acquisition. Additionally, at the time of the acquisition, the Kinsel operations had a lower cost structure than was typical for the rehabilitation segment.

Amortization expense decreased to \$0.7 million in 2002 from \$6.7 million in 2001 due to the elimination of goodwill amortization. The increase in amortization expense from \$5.0 million in 2000 to \$6.7 million in 2001 was from increased goodwill amortization resulting from the acquisition of Kinsel.

Rehabilitation operating income was \$35.2 million in 2002, a 2.7% decrease compared to 2001 operating income of \$36.2 million. Operating income includes \$3.5 million of asset impairment charges and \$2.5 million of restructuring charges in 2002, and \$4.1 million of restructuring charges in 2001. The decrease is due primarily to the 2.3 percentage point decrease in gross margin percentage that the cessation of goodwill amortization in 2002 and improvements in administrative overhead costs could not offset.

Rehabilitation operating income for 2001 decreased 26.1% from 2000. The decrease in operating income was a result of the decrease in gross profit margin discussed above, increased amortization of goodwill related to the Kinsel acquisition and the restructuring charge of \$4.1 million recorded in 2001.

The Company believes that cost control efforts initiated in 2002 make it well positioned to optimize benefits from future revenue growth. The Company plans to reduce operating activity in markets in the northeastern United States where pricing is unsatisfactory, but will continue its practice of operating in selected markets in regions where the operating environment is favorable. Plans for 2003 are to focus on moderate growth and become less dependent on cost control in order to meet margins. Research and development efforts will be focused more on improving existing products with regard to performance and cost, rather than the creation of new products. The Company expects to participate in bidding for any JEA projects put out for re-bid. See the "Backlog" section for additional information.

Tunneling

(\$ IN THOUSANDS)	2002 -----	2001 -----	2000 -----
Revenues	\$86,297	\$49,019	\$46,866
Gross Profit	18,260	8,880	9,224
Gross Profit Margin	21.2%	18.1%	19.7%
Selling, General and Administrative	5,703	3,125	3,367
Amortization Expense	392	-	-
Operating Income	12,165	5,754	5,858
Operating Income Percentage	14.1%	11.7%	12.5%

Tunneling revenues increased 76.0% to \$86.3 million in 2002 compared to \$49.0 million in 2001. Elmore operations, newly acquired in 2002, contributed \$20.7 million or approximately half of the total increase. The remaining increase is a result of the Company's strategic focus on further penetrating the



tunneling market based on market opportunities recognized in 2001 and continuing in 2002.

Tunneling revenues for 2001 increased 4.6% compared to 2000, due primarily to market growth, which prompted the Company to concentrate on a growth strategy for the business unit.

Gross profit in 2002 was \$18.3 million, a 105.6% increase compared to 2001 gross profit of \$8.9 million. Elmore's contribution to gross profit was less significant than its revenue contributions. Gross profit margin increased to 21.2% in 2002 compared to 18.1% in 2001. The margin percentage increase is primarily a result of positive adjustments at the close out of some large jobs.

Gross profit margin for tunneling was 18.1% in 2001 versus 19.7% in 2000 despite slightly stronger revenues. Gross profit margin decreased during the year due to a change in mix to smaller lower margin projects from larger higher margin projects.

Selling, general and administrative expenses increased 82.5% to \$5.7 million in 2002 compared to \$3.1 million in 2001. Most of the increase was due to the acquisition of Elmore, with the remainder from additional incentive compensation and support costs for segment growth. Selling, general and administrative expenses as a percent of revenue increased to 6.6% in 2002 compared to 6.4% in 2001.

Selling, general and administrative expenses for tunneling decreased 7.2% to \$3.1 million in 2001 from \$3.4 million in 2000. Selling, general and administrative expenses decreased to 6.4% of revenues from 7.2% in 2000. The decline in selling, general and administrative expenses in total and as a percent of revenues was due to a reduction in incentive compensation and profit sharing expense and targeted cost reduction initiatives in 2001.

The tunneling segment recognized amortization expense for the first time in 2002 due to covenants not to compete acquired as part of the purchase of Elmore.

Based on a refinement of certain previous estimates reflected in the preliminary purchase price allocation for Elmore, goodwill was increased by \$5.1 million during the fourth quarter of 2002. In addition to impacting goodwill, the result of the updated estimates decreased Elmore's beginning costs and estimated earnings in excess of billings amount by \$3.9 million and increased beginning accrued expenses by \$1.3 million. If these entries had not occurred, tunneling operating income would have been lower by \$5.0 million. See Note 3 to the Consolidated Financial Statements for additional information regarding the acquisition of Elmore.

Operating income was \$12.2 million in 2002, a 111.4% increase over 2001 operating income of \$5.7 million, which reflects the factors discussed above.

Tunneling operating income decreased slightly in 2001 compared to 2000, primarily as a result of the decrease in gross profit margins discussed above.

The Company expects the tunneling business unit to continue growing in fiscal 2003, but at a more moderated pace than in 2002. The Affholder operations exceeded expectation in 2002, especially at the gross profit line where lower gross margin yields were originally expected. As tunneling operations, and more specifically, Elmore operations, continue to develop the market and are fully integrated into the overall consolidated structure, the Company expects efficiency gains at both the gross margin and operating income levels in the tunneling business unit and for tunneling to continue to grow in significance to the Company's consolidated financial results.

TitleLiner

(\$ IN THOUSANDS)	2002 -----	2001 -----	2000 -----
Revenues	\$16,387	\$27,072	\$36,795

Gross Profit	5,596	8,159	12,349
Gross Profit Margin	34.1%	30.1%	33.6%
Selling, General and Administrative	2,475	3,030	3,928
Amortization Expense	310	310	310
Operating Income	2,810	4,820	8,111
Operating Income Percentage	17.1%	17.8%	22.0%

TiteLiner revenues in 2002 were \$16.4 million, a 39.5% decrease from 2001 revenues due primarily to continued decreases in demand from mining services. The Company expects the increases in oil prices in latter 2002 and early 2003 to moderately increase the demand in Canadian operations as demand for this product in North America typically responds to oil price changes.

TiteLiner revenues for 2001 decreased 26.4% from 2000 primarily as a result of the completion of a large contract in South America in early 2001 which added approximately \$13.0 million to revenues in 2000 versus \$1.0 million in 2001. In addition, the United States and South American markets are geared towards large projects related to mining and thus fluctuate in tandem with mineral prices, especially copper. The price of copper and palladium were depressed, which resulted in a substantial decrease in projects relating to mining.

Gross profit was \$5.6 million in 2002, a decrease of 31.4% compared to \$8.2 million in gross profit in 2001. The decrease is almost solely based on the lower revenues in 2002 versus 2001. Gross profit margin increased, however, in 2002 to 34.1% due primarily to the favorable impact from closing out the large project in South America.

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Gross profit margin for TiteLiner was 30.1% in 2001 compared to 33.6% in 2000. Lower mineral prices led to decreased revenues during 2001 placing pressure on overall unit capacity costs yielding lower gross profit margins.

Selling, general and administrative expenses were \$2.5 million for TiteLiner in 2002, representing an 18.3% reduction compared to 2001 selling, general and administrative expenses of \$3.0 million. Much of this improvement was the result of the scaling back of TiteLiner operational costs as well as a smaller allocation of corporate overhead to the business unit given the reduction in segment revenues. Selling, general and administrative expenses as a percentage of revenue increased to 15.1% in 2002 from 11.2% in 2001 due to lower revenues in 2002.

Selling, general and administrative expenses for TiteLiner decreased 22.9% in 2001 from 2000 primarily as a result of a reduction in incentive compensation and profit sharing expense and targeted cost reduction initiatives. Selling, general and administrative expenses increased in 2001 to 11.2% of revenues from 10.7% in 2000 due to decreased leverage of fixed costs over a lower revenue base.

Operating income for the TiteLiner business unit decreased 41.7% to \$2.8 million in 2002, compared to \$4.8 million in 2001 primarily as a function of the decreased demand experienced in the business unit over the past year.

TiteLiner's operating income for 2001 declined 40.6% compared to 2000, as a result of the decreases in revenues and gross profit margins previously discussed.

After experiencing declining demand in the TiteLiner segment in 2002, the Company achieved its goal of maintaining, or bettering, gross profit margins and reducing operating costs in the business unit. Thus, the impact at the operating income line for the segment was minimized. The Company now expects demand in the TiteLiner business unit to stabilize at or around the current rate throughout 2003, as there were signs of moderate strength in the final months of 2002 primarily due to increasing oil and petroleum product prices to which the demand for the TiteLiner product is sensitive.

#### SPECIAL CHARGES

The Company recorded two special charges in the third quarter of 2002. The first was a pre-tax charge of \$2.5 million related to restructuring efforts. Of this amount, \$1.3 million related to the elimination of 75 positions, primarily in administrative and overhead functions. An additional \$1.2 million

related to the write-down of information technology assets, lease cancellations, and disposal of certain identifiable fixed assets, primarily at the corporate level. As of December 31, 2002, the remaining liability related to the restructuring charge was \$1.1 million, \$0.8 million of which related to expected future severance costs. The Company expects the annualized benefit from this restructuring to be approximately \$8.2 million before tax.

In the fourth quarter of 2001, the Company recorded a pre-tax restructuring charge of \$4.1 million, \$0.9 million of which related to the elimination of 112 company-wide positions specifically identified as of December 31, 2001. An additional \$3.2 million of the charge related to asset write-downs, lease cancellations and other costs associated with the closure and consolidation of eight facilities in the United States and the disposal of the associated assets. The anticipated annualized pre-tax benefit of this restructuring effort is \$9.0 million. See Note 5 to the Consolidated Financial Statements regarding restructuring costs.

The Company also took a charge in the third quarter of 2002 related to a write-down of intangible assets. The pre-tax charge totaled \$3.5 million and related primarily to patents, trademarks, license and

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non-compete intellectual property assets that the Company deemed to be impaired based on recent business decisions and other circumstances. The asset write-down is expected to reduce amortization expense by approximately \$0.5 million annually before tax. The impairment analysis was conducted in accordance with SFAS 144, "Accounting for the Disposal of Long-Lived Assets," which the Company early adopted in 2001. See Note 6 to the Consolidated Financial Statements regarding intangible asset impairment.

The Company is performing a strategic analysis on some facilities in the United States. Depending on the outcome of these evaluations, a further charge could be taken during 2003.

#### OTHER INCOME/EXPENSE

Interest expense was \$7.9 million in 2002, a 15.3% decrease compared to 2001 interest expense of \$9.3 million. The decrease is primarily a result of a reduction in borrowing levels in 2002 and lower variable interest rates attached to short-term borrowings.

Interest expense for 2001 compared to 2000 was relatively unchanged at \$9.3 million. Although the Company made a scheduled \$15.7 million payment on its Senior Notes, Series A (the "Senior Notes") in February 2001, the Company incurred additional debt of \$12.2 million in the first quarter of 2001 as part of its acquisition of Kinsel.

Other income increased 32.3% to \$3.1 million in 2002 primarily due to the \$1.2 million gain on the sale of a real estate investment acquired with Kinsel. This represents a \$0.8 million increase over other income of \$2.3 million in 2001. Interest income decreased \$0.3 million on lower interest rates on cash during 2002 compared to 2001. In 2001, other income decreased 38.1%, or \$1.4 million, to \$2.3 million from \$3.7 million in 2000. This was primarily due to a decline of four percentage points in market rates of return on the Company's short-term investments.

#### INCOME TAXES

The Company's effective tax rate for 2002 decreased to 38.5% compared to 39.4% in 2001. This was primarily due to the Company's adoption of SFAS 142 as detailed in Note 8 to the Consolidated Financial Statements. This statement provides that goodwill should not be amortized but shall be tested for impairment annually, or more frequently, if circumstances indicate potential impairment. Management determined that there was no impairment to goodwill as of December 31, 2002 and therefore, no expense for goodwill through amortization or otherwise was recorded in 2002 for financial reporting purposes. The favorable effect on the rate as a result of the adoption of SFAS 142 was offset to some extent by a potential non-deductible OSHA penalty in relation to an Iowa job site accident.

The Company's effective tax rate was 39.4% in 2001 compared to 39.5% in 2000. This minor change was the result of two offsetting components. There was

an increased effect of non-deductible goodwill as a result of the Kinsel acquisition which was offset by a reduction due to the favorable conclusion of outstanding tax examinations.

The effective tax rate was calculated consistent with the Company's belief that deferred tax assets will be fully realized in future periods. See Note 12 to the Consolidated Financial Statements regarding taxes on income.

#### MINORITY INTEREST AND EQUITY IN EARNINGS OF AFFILIATED COMPANIES

Minority interest in net income was \$0.2 million in 2002, a 45.1% decrease from 2001 minority interest in net income of \$0.3 million. Equity in earnings of affiliated companies decreased 26.3% to \$0.8 million in 2002 compared to \$1.1 million in 2001. The decrease primarily resulted from the discontinued affiliation with a joint venture partner in the third quarter of 2002.

Minority interest in net income decreased in 2001 to \$0.3 million from \$0.6 million in 2000. The decrease was due to the acquisition in 2001 of an additional 10% interest in Video Injection, and, in late 2000, the purchase of an additional 35% interest in Insituform France. Equity in earnings of affiliated companies increased 39.2% to \$1.1 million in 2001 compared to \$0.8 million in 2000.

#### DISCONTINUED OPERATIONS

During the fourth quarter of 2001, the Company made the decision to sell certain operations related to the Kinsel acquisition. At that time, the Company classified as discontinued the wastewater treatment plant, commercial construction and highway operations. For the 2002 fiscal year, discontinued operations generated a \$5.9 million net loss. Although all of these operations were disposed of in 2002, under the terms of sale, the Company is still responsible for certain identified jobs. The few remaining jobs in process at December 31, 2002 are expected to be completed in 2003. See Note 16 to the Consolidated Financial Statements regarding subsequent events.

The Company completed the sale of the wastewater treatment plant construction operations effective January 1, 2002. The Company received \$1.5 million in cash and a \$2.0 million note for a total sale price of \$3.5 million, resulting in a slight loss on the sale. In the first quarter of 2003, the Company received claims by the buyer of the wastewater treatment plant operations. See Note 16 to the Consolidated Financial Statements regarding subsequent events.

During the third quarter of 2002, the Company sold the heavy highway operations for \$2.6 million in cash and \$1.5 million in notes, resulting in a pre-tax gain of \$1.5 million, or \$0.9 million after-tax.

The Company completed the sale of certain contracts and assets of the highway maintenance operations during the fourth quarter of 2002 for \$1.4 million in cash and \$1.5 million in subordinated notes. The Company recognized no gain or loss on this sale.

The Company has assessed the valuation of amounts receivable in connection with these disposed operations and established appropriate reserves. Based on the expected reduction in net proceeds reflected by these reserves, the total after-tax gain on sale from these operations would have been \$0.6 million. These sales comprised the disposition of all operations previously classified as discontinued. See Note 4 to the Consolidated Financial Statements for additional disclosure of discontinued operations.

#### NET INCOME/EARNINGS PER SHARE

Net income declined by 8.8% in 2002 to \$22.7 million from \$24.9 million in 2001. Net income in 2001 had decreased 28.8% from 2000 net income of \$34.9 million. Return on revenue decreased in each of the last three years from 8.5% in 2000 to 5.6% in 2001 and 4.7% in 2002. Return on average stockholders' equity was 8.7%, 12.0%, and 23.0% in 2002, 2001, and 2000, respectively. The results include \$5.9 million and \$0.1 million in losses from discontinued operations in 2002 and 2001, respectively. These results also include the impact of a \$2.5

million restructuring charge and \$3.5 million intangible asset write-down in 2002 and a \$4.1 million restructuring charge in 2001, all amounts before tax. There were no comparable charges in 2000.

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Diluted earnings per share were \$0.85 for 2002, down 7.6% compared to 2001 diluted earnings per share of \$0.92. The restructuring charge and impairment charge in 2002 impacted diluted earnings per share by \$0.06 and \$0.08 per share respectively. Discontinued operations adversely impacted diluted earnings per share in 2002 by \$0.22 per share.

Diluted earnings per share decreased 32.8% from \$1.37 per share in 2000 to \$0.92 per share in 2001. The restructuring charge and the effect of discontinued operations discussed above impacted diluted earnings per share by \$0.10 per share. Diluted earnings per share were also favorably impacted by the repurchase of 249,500 shares of common stock in 2002 and 563,109 shares of common stock in 2001.

#### OUTLOOK

During 2002, management primarily focused on maintaining revenues with a more cost efficient infrastructure supporting the Company's operations. Management believes that the implementation of these cost reduction programs will better position the Company to take advantage of positive market conditions when the economy rebounds. Backlog remains strong in most business units and growth in the tunneling segment is expected to continue fueling overall moderate growth of the Company. Rehabilitation is expected to continue revenue growth at a slightly higher rate in 2003 compared to 2002 with the potential for some erosion of gross margin.

The Company expects the overall sales environment to remain challenging with regard to bidding and pricing. The impact, if any, of the war with Iraq is uncertain, although the current political situation could potentially disrupt and further soften the market for municipal contracts.

#### CRITICAL ACCOUNTING POLICIES

Discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the financial statements date. Actual results may differ from these estimates under different assumptions or conditions.

Some accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. The Company believes that its critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies, see Note 2 to the Consolidated Financial Statements.

#### REVENUE RECOGNITION - PERCENTAGE-OF-COMPLETION METHOD

The Company recognizes revenues and profit as construction and installation contracts progress using the percentage-of-completion method of accounting, which relies on estimates of total expected contract revenues and costs. Under this method, estimated contract revenues and resulting gross profit margin are recognized based on actual costs incurred to date as a percentage of total estimated costs. The Company follows this method since reasonably dependable estimates of the revenues and costs applicable to various elements of a contract can be made. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of these contracts, recognized revenues and profit are subject to revisions as the contract progresses to completion. Total estimated costs, and thus contract

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margin, are impacted by changes in productivity, scheduling, and the unit cost

of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing approvals, labor availability, governmental regulation and politics, may also affect the progress and estimated cost of a project's completion and thus the timing of margin and revenue recognition. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. Accordingly, favorable changes in estimates result in additional revenues and profit recognition, and unfavorable changes in estimates result in a reduction of recognized revenues and profits. When current estimates of total contract costs indicate that the contract will result in a loss, the projected loss is recognized in full in the period in which the loss becomes evident. Revenues from change orders, extra work, variations in the scope of work and claims are recognized when realization is reasonably assured.

Many of the Company's contracts provide for termination of the contract at the convenience of the customer. In the event a contract would be terminated at the convenience of the customer prior to completion, the Company will typically be compensated for progress up to the time of termination and any termination costs. In addition, many contracts are subject to certain completion schedule requirements with liquidated damages in the event schedules are not met as the result of circumstances that are within the Company's control. Losses on terminated contracts and liquidated damages have historically not been significant.

#### RETAINAGE

Many of the contracts under which the Company performs work contain retainage provisions. Retainage refers to that portion of revenue earned by the Company but held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Company assumes that all amounts retained by customers under such provisions are fully collectible. Historically, the Company has not experienced any material write-offs of retainage receivables. Retainage on active contracts is classified as a current asset regardless of the term of the contract. See Note 2 to the Consolidated Financial Statements regarding classification of current assets and current liabilities.

#### GOODWILL IMPAIRMENT

Under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), the Company assesses recoverability of goodwill on an annual basis or when events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Factors that could potentially trigger an impairment review include the following:

- significant underperformance of a segment or division relative to expected historical or projected future operating results;
- significant negative industry or economic trends; and
- significant changes in the strategy for a segment or division.

In accordance with the provisions of SFAS 142, the Company calculates the fair value of its reporting units and compares such fair value to the carrying value of the reporting unit to determine if there is any indication of goodwill impairment. The Company's reporting units consist of North American rehabilitation, European rehabilitation, tunneling, and TiteLiner. To calculate reporting unit fair value, the Company utilizes a discounted cash flow analysis based upon, among other things, certain assumptions about expected future operating performance. The Company typically engages a third-party valuation expert to assist in estimating reporting unit fair value. Estimates of discounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to business models, changes in the Company's weighted average cost of capital, or changes in operating performance. An

impairment charge will be recognized to the extent that the implied fair value of the goodwill balances for each reporting unit is less than the related carrying value.

#### DEFERRED INCOME TAX ASSETS

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, in accordance with the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 also requires that a valuation allowance be recorded against any deferred tax assets that are not likely to be realized in the future. This requires considerable judgment on the part of management to determine such realizability. The determination is based on the ability of the Company to generate future taxable income and, at times, is dependent on management's ability to implement strategic tax initiatives to ensure full utilization of recorded deferred tax assets. Should management not be able to implement the necessary tax strategies, the Company may need to record valuation allowances for certain deferred tax assets, including those related to foreign income tax benefits.

#### LONG-LIVED ASSETS

Property, plant and equipment, goodwill and other intangibles (primarily patents and covenants not to compete) are recorded at cost and, except for goodwill, are amortized on a straight-line basis over their estimated useful lives. Changes in circumstances such as technological advances, changes to the Company's business model or changes in the Company's capital strategy can result in the actual useful lives differing from the Company's estimates. In those cases where the Company determines that the useful life of property, plant and equipment or its intangible assets should be shortened, the Company would depreciate the net book value in excess of the salvage value over its revised remaining useful life, thereby increasing depreciation expense.

Long-lived assets, including property, plant and equipment, and other intangibles, are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following:

- significant underperformance in a region relative to expected historical or projected future operating results;
- significant changes in the use of the assets of a region or the strategy for the region;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- market capitalization is significantly less than net book value.

Such impairment tests are based on a comparison of undiscounted cash flows to the recorded value of the asset. The estimate of cash flow is based upon, among other things, certain assumptions about expected future operating performance. The Company's estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, technological changes, economic conditions, changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

#### ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management makes estimates of the uncollectibility of the Company's accounts receivable. Management evaluates specific accounts where the Company has information that the customer may be unwilling or unable to pay the receivable in full. In these cases, the Company uses its judgment, based on the best available facts and circumstances, and records a specific reserve for that customer against amounts due in order to reduce the receivable to the amount that is expected to be collected. The specific reserves are reevaluated and adjusted as additional information is received that impacts the amount reserved. After all attempts to collect the receivable have failed, the receivable is written off against the reserve. Based on the information available, the Company believes that the allowance for doubtful accounts as of December 31, 2002 is

adequate. However, no assurances can be given that actual write-offs will not exceed the recorded reserve.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased \$0.7 million, or 1.0%, to \$75.4 million at December 31, 2002 compared to \$74.6 million in cash and cash equivalents at December 31, 2001. The cash balance at the end of 2002 includes \$4.0 million of cash and cash equivalents restricted in various escrow accounts. Continuing operations contributed \$25.3 million in operating cash flow to the Company, representing a 88.7% ratio versus income from continuing operations. Operating cash flow comprised the most significant portion of the Company's cash flow in the year ended December 31, 2002. Discontinued operations generated an additional \$0.9 million in operating cash flow for overall operating cash flow of \$26.2 million, down 24.8% from \$34.8 million in operating cash flow for the year ended December 31, 2001. Working capital was \$124.2 million at December 31, 2002, down 10.4% from the \$138.7 million in working capital at December 31, 2001. Operating cash flow has historically been the most significant contributor to net cash flow and the Company expects this trend to continue into the foreseeable future.

The Company engaged in several acquisition and disposal activities that had significant effects on cash flow. Proceeds from the sale of fixed assets relate principally to \$9.2 million received from a sale-leaseback arrangement on a tunnel boring machine. The same amount is reflected in capital expenditures for construction of the tunnel boring machine. Total capital expenditures used \$21.8 million in cash during 2002, a 30.9% increase when compared to \$16.6 million in capital expenditures during 2001. Other than the tunnel boring machine, capital expenditures were primarily to sustain the amount of equipment already in place in the rehabilitation segment, and additional expenditures necessary to fuel the growth experienced in the tunneling segment. The Company expended \$8.5 million, net of cash acquired, for the purchase of Elmore and received \$5.4 million in cash from the sale of discontinued operations. Additionally, the Company received \$1.9 million in cash for the sale of a real estate investment that it owned.

Financing activities used \$13.4 million in cash for the year ended December 31, 2002, an increase of 13.4% over \$11.8 million in cash used for financing activities for the year ended December 31, 2001. The most significant use of cash was \$20.9 million for the repayment of long-term debt, a majority of which is the regular annual payment of \$15.7 million on the Company's Senior Notes, as well as the payoff of several capital leases related to operations at Kinsel. The annual payments on the Senior Notes are scheduled to run through 2007. The Company received \$2.5 million in cash for the issuance of 205,280 shares of Company stock related to option exercises. In mid-1998, the Company authorized the repurchase of up to 2,700,000 shares of the Company's Common Stock to be made from time to time over five years in open market transactions. The amount and timing of purchases are 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. In October 1999, the Company increased the original authorization by an additional 2,000,000 shares of Common Stock through the period ending June 2003. In September 2001, the Company further increased the original authorization by an additional

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1,000,000 shares of Common Stock. The Company expended \$5.2 million to purchase 249,500 shares of treasury stock during 2002. As of December 31, 2002, the Company had purchased 3,809,615 shares of treasury stock for a cumulative purchase price of \$72.6 million under the stock buyback plan. Option exercises and treasury stock purchases did not have a significant impact on earnings per share in 2002.

Receivables were \$83.0 million at December 31, 2002, down 3.7% compared to \$86.2 million at December 31, 2001. Costs and estimated earnings in excess of billings increased 54.6% to \$36.7 million in 2002 from \$23.7 million in 2001 primarily as a result of the rapid growth in the tunneling business unit where start-up costs at the beginning of large projects frequently cannot be billed until tunneling begins. The collection of installation receivables involves contractual provisions for retainage by the project owner, often 5% to 15% of the contract amount, which extends the collection process. The slow review processes often employed by the Company's municipal customers also further prolong collection. Retainage receivables increased from \$21.3 million in 2001



to \$23.7 million in 2002. In the United States, retainage receivables are generally received within one year after the completion of a contract. In Europe, collection of retainage receivables normally extends one to two years. The increase in net working capital during 2002 compared to 2001 was the primary reason for the \$19.4 million decrease in operating cash flow from continuing operations in 2002 versus 2001. See Note 13 to the Consolidated Financial Statements regarding changes in operating assets.

The Company has entered into several contractual joint ventures in order to develop joint bids on contracts for its installation business, and for tunneling operations. In these cases, the Company could be required to complete the partner's portion of the contract if the partner is unable to complete its portion. The Company is at risk for any amounts for which the Company itself could not complete the work and for which a third party contractor could not be located to complete the work for the amount awarded in the contract. The Company has not experienced material adverse results from such arrangements. The Company continues to investigate opportunities for expanding its business through such structures.

At December 31, 2002, the Company had unused committed bank credit facilities under a credit agreement (the "Credit Agreement") totaling \$18.8 million. The commitment fee paid per annum by the Company is 0.2% on the unborrowed balance. The interest rates under this facility vary and are based on the prime rate or LIBOR. As of December 31, 2002, the rate was 2.19%.

Effective March 27, 2003, the Company entered into a new three-year bank revolving credit facility to replace its expiring bank credit facility. This new facility provides the Company with borrowing capacity of up to \$75 million. The quarterly commitment fee ranges from 0.2% to 0.3% per annum on the unborrowed balance depending on the leverage ratio determined as of the last day of the Company's preceding fiscal quarter. At the Company's option, the interest rates will be either (i) the LIBOR plus an additional percentage that varies from 0.75% to 1.5% depending on the leverage ratio or (ii) the higher of (a) the prime rate or (b) the federal funds rate plus 0.50%. As of March 27, 2003, the interest rate on the credit facility was 4.25% and the balance was \$40.0 million.

The Company's Senior Notes, due February 14, 2007, bear interest, payable semi-annually in August and February of each year, at the rate per annum of 7.88%. Each year, from February 2003 to February 2006, inclusive, the Company will be required to make principal payments of \$15.7 million, together with an equivalent payment at maturity. On December 31, 2002, the principal amount of Senior Notes outstanding was \$78.6 million. 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. Upon specified change in control events each holder has the right to require the Company to purchase its Senior Note without any premium thereon.

The Senior Notes and the new bank credit facility obligate the Company to comply with certain financial ratios and restrictive covenants that, among other things, place limitations on operations and sales

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of assets by the Company or its subsidiaries, limit the ability of the Company to incur secured indebtedness and liens and limit the ability of subsidiaries to incur indebtedness, and, in the event of default, limit the ability of the Company to pay cash dividends or to redeem its capital stock. The Senior Notes and the bank credit facility also obligate certain of the Company's domestic subsidiaries to guaranty these obligations. The Company was in compliance with all debt covenants at December 31, 2002.

The Company's Euro Note, due July 7, 2006, bears interest, payable quarterly in January, April, July, and October of each year, at the rate per annum of 5.5%. Each year until maturity, the Company will be required to make principal payments of \$810 thousand for which currency fluctuations will have an effect on the U.S. dollar payment amount. On December 31, 2002, the principal amount of the Euro Note outstanding was (euro)3.2 million, or \$3.4 million.

The Company expects to place additional unsecured senior notes in the maximum principal amount of \$65 million with certain institutional investors through a private offering made by the Company during the second quarter of 2003. The Company believes it has adequate resources and liquidity to fund future cash requirements for working capital, capital expenditures and debt

repayments with cash generated from operations, existing cash balances, additional short- and long-term borrowing (including the placement of the additional senior notes) and the sale of assets. The Company anticipates that operating cash flow will remain a significant portion of operational funding in the foreseeable future. For additional discussion of assets financed through operating leases and the capital commitments thereon, see Note 14 in the Notes to Consolidated Financial Statements.

The balance of cash and cash equivalents increased \$10.5 million to \$74.6 million at December 31, 2001 compared to \$64.1 million at December 31, 2000. The cash balance at the end of 2001 includes \$4.3 million of cash and cash equivalents restricted in various escrow accounts. Operating cash flow from continuing operations of \$44.7 million was 179.3% of income from continuing operations and provided a majority of the Company's cash flow in the year ended December 31, 2001. Net operating cash flow for the year was \$34.8 million. Historically, operating cash flow has been the largest source of available capital, by comparison providing \$42.6 million in the year ended December 31, 2000. Working capital was \$138.7 million at December 31, 2001 compared to \$114.5 million at December 31, 2000.

Other significant sources of cash during 2001 were proceeds from short-term borrowings against the line of credit of \$15.0 million and proceeds of \$9.0 million from the sale of fixed assets, including a building due to the closure of an operating site and two tunneling machines. An additional \$6.1 million was contributed from the issuance of common stock upon the exercise of options in 2001.

Cash was used in nearly equal amounts for investing and financing activities during 2001. Of the \$16.6 million expended on capital, \$6.6 million related to two tunneling machines for which the Company initially funded construction and were later leased back under an operating lease. The Company's financing activities in 2001 included \$20.6 million of repayments on debt agreements, the largest of which was a \$15.7 million scheduled principal payment on the Company's Senior Notes. These payments are scheduled in equal amounts through 2007. Repurchases under the Company's previously reported stock repurchase program were \$12.2 million for the year to acquire 563,109 shares. The net effect of the Company's stock issuance and repurchases during 2001 did not have a significant impact on earnings per share in 2001.

Trade receivables, together with costs and estimated earnings in excess of billings and retainage under construction contracts, increased 15.4%, to \$131.2 million, from \$113.7 million at the end of 2000, primarily as a result of the acquisition of Kinsel, which added \$13.7 million to receivables at the end of 2001. The collection of installation receivables involves contractual provisions for retainage by the project owner, often 5% to 15% of the contract amount, which extends the collection process. The slow review

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processes often employed by the Company's municipal customers also sometimes further prolong collections. In the United States, retainage receivables are generally received within one year after the completion of a contract.

At December 31, 2001, the Company had unused committed bank credit facilities under the Credit Agreement totaling \$34.1 million. As of December 31, 2001, the interest rate on the facility was 4.75%. On December 31, 2001, the principal amount of Senior Notes outstanding was \$94.3 million.

Capital expenditures in 2003 are expected to be used primarily to maintain the current amount of equipment in service for rehabilitation and for funding of growth needs in tunneling. The Company is in the process of evaluating various alternatives regarding modifications, upgrades and revisions to its manufacturing facilities. These changes could cost up to \$5.6 million during 2003. For additional discussion of assets financed through operating leases and the capital commitments thereon, see Note 14 to the Consolidated Financial Statements.

In May 2002, the Company acquired Elmore, a regional provider of trenchless tunneling, microtunneling, segmented lining and pipe jacking services in the western United States for approximately \$12.5 million. The acquisition was funded primarily through \$8.5 million in cash, the settlement of debt owed by Elmore to the Company, and the assumption of additional liabilities.

In February 2001, the Company acquired Kinsel, a trans-regional

provider of pipebursting and other sewer rehabilitation services, for approximately \$80.0 million. The acquisition was funded primarily through issuance of 1,847,165 shares of the Company's common stock from treasury, cash and the issuance of a \$5.4 million note to the seller.

In February 2000, the Company acquired the rights to the Insituform CIPP Process and NuPipe Process for the states of New York and New Jersey, through the purchase of all of the shares of the capital stock of Insituform Metropolitan, Inc. and the operating assets of certain of its affiliates. At closing, the Company paid the sellers an aggregate of \$5.0 million in cash, in addition to assuming operating liabilities of the acquired business. In July 2000, Insituform Italia s.r.l., a newly formed joint venture of the Company and Per Aarsleff A/S, acquired Italcontrolli Nord s.r.l., the Insituform CIPP Process licensee in Italy, for \$1.2 million. During 2001, the Company acquired the remaining 50% ownership of K-Insituform, N.V., its joint venture in Belgium, for approximately \$0.3 million, along with the remaining 33% ownership of Insituform France, S.A., for approximately \$0.8 million.

#### DISCLOSURE OF FINANCIAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The Company has entered into various financial obligations and commitments in the course of its ongoing operations and financing strategies. Financial obligations are considered to represent known future cash payments that the Company is required to make under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities as well as from commercial arrangements that are directly supported by related revenue-producing activities. Commercial commitments represent contingent obligations of the Company, which become payable only if certain pre-defined events were to occur, such as funding financial guarantees. See Note 14 to the Consolidated Financial Statements for additional disclosure of financial obligations and commercial commitments.

The following table provides a summary of the Company's financial obligations and commercial commitments as of December 31, 2002 (in thousands). This table includes cash obligations related to principal outstanding under existing debt arrangements and operating leases.

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#### Payments Due by Period

Cash Obligations*	Total	2003	2004	2005	2006	2007	Thereafter
Long-term debt**	\$ 90,374	\$23,360	\$17,377	\$17,007	\$16,764	\$15,822	\$ 44
Line of credit facility	26,000	26,000	-	-	-	-	-
Operating leases	44,472	13,531	9,386	6,062	4,470	3,952	7,071
Total contractual cash obligations	\$160,846	\$62,891	\$26,763	\$23,069	\$21,234	\$19,774	\$7,115

\*Cash obligations herein are not discounted and do not include related interest. See Notes 9 and 14 to the Consolidated Financial Statements regarding long-term debt and commitments and contingencies, respectively.

\*\* The Company expects to place additional unsecured senior notes in the maximum principal amount of \$65 million with certain institutional investors through a private offering made by the Company during the second quarter of 2003.

#### MARKET RISK

The Company is exposed to the effect of interest rate changes and foreign currency fluctuations. Due to the immateriality of potential impacts from changes in these rates, the Company does not use derivative contracts to manage these risks.

#### INTEREST RATE RISK

The fair value of the Company's cash and short-term investment portfolio at December 31, 2002 approximated carrying value. Given the short-term nature of these instruments, market risk, as measured by the change in fair

value resulting from a hypothetical 10% change in interest rates, is not material.

The Company's objectives in managing exposure to interest rate changes are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, the Company maintains fixed rate debt as a percentage of its net debt in a percentage range set by policy. The fair value of the Company's long-term debt, including current maturities and the amount outstanding on the line of credit facility, was estimated to be \$118.2 million at December 31, 2002, and exceeded carrying value by \$1.8 million. Market risk was estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in the Company's debt specific borrowing rates at December 31, 2002, or \$3.9 million.

#### FOREIGN EXCHANGE RISK

The Company operates subsidiaries, and is associated with licensees and affiliates operating solely in countries outside of the United States, and in currencies other than the U.S. dollar. Consequently, these operations are inherently exposed to risks associated with fluctuation in the value of the local currencies of these countries compared to the U.S. dollar. At December 31, 2002, approximately \$3.5 million of financial instruments, primarily long-term debt, were denominated principally in Euros. The effect of a hypothetical adverse change of 10% in year-end exchange rates (a strengthening of the U.S. dollar) is immaterial and would be largely offset by cash activity.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company uses various structures for the financing of operating equipment, including borrowing, operating and capital leases, and sale-leaseback arrangements. All debt, including the discounted value of future minimum lease payments under capital lease arrangements, is presented in the balance sheet. The Company's commitments under operating lease arrangements were \$44.5 million at

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December 31, 2002. The Company also has exposure under performance guarantees by contractual joint ventures and indemnification of its bonding agent and licensees. However, the Company has never experienced any material adverse effects to financial position, results of operations or cash flows relative to these arrangements. The Company has no other off-balance sheet financing arrangements or commitments. See Note 14 in the Notes to Consolidated Financial Statements regarding commitments and contingencies.

#### EFFECTS OF TRANSACTIONS WITH RELATED AND CERTAIN OTHER PARTIES

Affholder, Inc. ("Affholder"), the Company's wholly-owned subsidiary that comprises a portion of the tunneling segment, leased five cranes from A-Y-K-E Partnership as of March 15, 2003. A-Y-K-E is a partnership that is controlled by Robert W. Affholder, the Company's Senior Executive Vice President and a member of the Company's board of directors. During the year ended December 31, 2002, Affholder paid A-Y-K-E \$600,000 pursuant to equipment leases. This amount represents 10.4% of all lease payments made by Affholder during 2002 and 4.4% of all lease payments made by the Company in 2002. Affholder owns, or leases under long-term operating leases with third party leasing companies, several pieces of tunneling equipment, including cranes and tunnel boring machines. From time to time for specific projects, Affholder will lease additional equipment from a variety of sources, including A-Y-K-E. A-Y-K-E owns various pieces of equipment that are used in the tunneling industry, including cranes and tunnel boring machines. The cranes that are currently under lease are leased under separate lease agreements on terms that are substantially similar to, or better than, those otherwise available to Affholder in the market. The leases are terminable upon 30 days' prior notice by either party. During 2002, A-Y-K-E leased equipment only to Affholder. At Affholder's discretion, Affholder may sublease the cranes to third parties and retain any profit generated from the sublease.

#### NEW ACCOUNTING PRONOUNCEMENTS

For a discussion of new accounting pronouncements, see Note 2 to the Consolidated Financial Statements.

#### FORWARD-LOOKING INFORMATION

This Annual Report contains various forward-looking statements that are based on information currently available to management and on 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. The Company's actual results may vary materially from those anticipated, estimated or projected due to a number of factors, such as the competitive environment for the Company's products and services, the geographical distribution and mix of the Company's work, the timely award or cancellation of projects, political circumstances impeding the progress of 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. The Company does not assume a duty to update forward-looking statements. Please use caution and do not place reliance on forward-looking statements.

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.

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Item 8. Financial Statements and Supplementary Data

For information concerning this item, see "Item 15. 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 2003 Annual Meeting of Stockholders (the "2003 Proxy Statement"), which information is incorporated herein by reference.

Item 11. Executive Compensation

For information concerning this item, see the 2003 Proxy Statement, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information concerning this item, see the 2003 Proxy Statement, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

For information concerning this item, see the 2003 Proxy Statement, which information is incorporated herein by reference.

Item 14. Controls and Procedures

(a) Within the 90 days prior to the date of this report (the "Evaluation Date"), the Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15(d)-14(c)). Based on that evaluation, these officers have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company and the Company's consolidated subsidiaries would be made known to them by others within those entities.

(b) There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's

internal controls subsequent to the Evaluation Date.

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PART IV

Item 15. 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.

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: None

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POWER OF ATTORNEY

The registrant and each person whose signature appears below hereby appoint Anthony W. Hooper and Joseph A. White 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 31, 2003                      INSITUFORM TECHNOLOGIES, INC.

By: /s/ JOSEPH A. WHITE

-----  
Joseph A. White  
Vice President and Chief Financial 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 31, 2003
/s/ JOSEPH A. WHITE ----- Joseph A. White	Principal Financial and Accounting Officer	March 31, 2003
/s/ ROBERT W. AFFHOLDER ----- Robert W. Affholder	Director	March 31, 2003
/s/ PAUL A. BIDDELMAN -----	Director	March 31, 2003

Paul A. Biddelman

/s/ STEPHEN P. CORTINOVIS                      Director                      March 31, 2003  
-----  
Stephen P. Cortinovis

/s/ JOHN P. DUBINSKY                      Director                      March 31, 2003  
-----  
John P. Dubinsky

Signature	Title	Date
/s/ JUANITA H. HINSHAW ----- Juanita H. Hinshaw	Director	March 31, 2003
/s/ THOMAS KALISHMAN ----- Thomas Kalishman	Director	March 31, 2003
/s/ SHELDON WEINIG ----- Sheldon Weinig	Director	March 31, 2003
/s/ ALFRED L. WOODS ----- Alfred L. Woods	Director	March 31, 2003

#### CERTIFICATIONS

I, Anthony W. Hooper, certify that:

1. I have reviewed this annual report on Form 10-K of Insituform Technologies, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ ANTHONY W. HOOPER

---

Anthony W. Hooper  
Chairman, President and Chief Executive Officer

I, Joseph A. White, certify that:

1. I have reviewed this annual report on Form 10-K of Insituform Technologies, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ JOSEPH A. WHITE



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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.

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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 accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 an 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.

The Board of Directors, through its Audit Committee comprised of independent directors, is responsible for overseeing that both management and the independent accountants fulfill their respective responsibilities relative to the financial statements. Moreover, the independent accountants have full and

free access to meet with the Audit Committee, with or without management present, to discuss auditing or financial reporting matters.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Insituform Technologies, Inc. and its subsidiaries at December 31, 2002 and the results of their operations and their cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The consolidated financial statements of Insituform Technologies, Inc. as of December 31, 2001, and for each of the two years in the period ended December 31, 2001, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements dated February 1, 2002, before the revision described in Note 8.

As discussed above, the consolidated financial statements of Insituform Technologies, Inc. as of December 31, 2001, and for each of the two years in the period ended December 31, 2001, were audited by other independent accountants who have ceased operations. As described in Note 8, these financial statements have been revised to include the transitional disclosures required by Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. We audited the transitional disclosures described in Note 8. In our opinion, the transitional disclosures for 2001 and 2000 in Note 8 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

St. Louis, Missouri  
January 28, 2003, except for Note 16  
which is as of March 28, 2003

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The following report is a copy of a report previously issued by Arthur Andersen LLP and has not been reissued by Arthur Andersen LLP.

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

We have audited the accompanying consolidated balance sheets of Insituform Technologies, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

St. Louis, Missouri,  
February 1, 2002

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INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000  
(In thousands, except per share amounts)

	2002	2001	2000
	-----	-----	-----
REVENUES	\$480,358	\$445,310	\$409,434
COST OF REVENUES	354,736	320,462	272,361
	-----	-----	-----
GROSS PROFIT	125,622	124,848	137,073
SELLING, GENERAL AND ADMINISTRATIVE	68,049	66,955	68,825
AMORTIZATION EXPENSE	1,433	7,001	5,282
RESTRUCTURING CHARGES (Note 5)	2,458	4,127	-
IMPAIRMENT CHARGE (Note 6)	3,499	-	-
	-----	-----	-----
OPERATING INCOME	50,183	46,765	62,966
	-----	-----	-----
OTHER (EXPENSE) INCOME:			
Interest expense	(7,911)	(9,339)	(9,347)
Other	3,055	2,309	3,732
	-----	-----	-----
TOTAL OTHER EXPENSE	(4,856)	(7,030)	(5,615)
	-----	-----	-----
INCOME BEFORE TAXES ON INCOME	45,327	39,735	57,351
TAXES ON INCOME	17,451	15,653	22,647
	-----	-----	-----
INCOME BEFORE MINORITY INTERESTS, EQUITY IN EARNINGS AND DISCONTINUED OPERATIONS	27,876	24,082	34,704
MINORITY INTERESTS	(150)	(273)	(610)
EQUITY IN EARNINGS OF AFFILIATED COMPANIES	834	1,131	812
	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	28,560	24,940	34,906
LOSS FROM DISCONTINUED OPERATIONS, net of tax benefits of \$3,674 and \$47, respectively	(5,869)	(72)	-
	-----	-----	-----

NET INCOME	\$22,691	\$ 24,868	\$ 34,906
	=====	=====	=====
EARNINGS PER SHARE OF COMMON STOCK AND COMMON STOCK EQUIVALENTS:			
Basic:			
Income from continuing operations	\$ 1.08	\$ 0.94	\$ 1.41
Loss from discontinued operations	(0.22)	-	-
	-----	-----	-----
Net Income	\$ 0.86	\$ 0.94	\$ 1.41
	=====	=====	=====
Diluted:			
Income from continuing operations	\$ 1.07	\$ 0.93	\$ 1.37
Loss from discontinued operations	(0.22)	-	-
	-----	-----	-----
Net Income	\$ 0.85	\$ 0.92	\$ 1.37
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

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INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS - AS OF DECEMBER 31, 2002 AND 2001  
(In thousands, except share information)

ASSETS

	2002	2001
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents, including restricted cash of \$3,985 and \$4,262, respectively	\$ 75,386	\$ 74,649
Receivables, net	82,962	86,191
Retainage	23,726	21,327
Costs and estimated earnings in excess of billings	36,680	23,719
Inventories	12,402	13,712
Prepaid expenses and other assets	13,586	8,135
Assets held for disposal	7,909	32,034
	-----	-----
Total current assets	252,651	259,767
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation	71,579	68,547
	-----	-----
OTHER ASSETS:		
Goodwill	131,032	117,251
Other assets	17,751	18,057
	-----	-----
Total other assets	148,783	135,308
	-----	-----
Total assets	\$ 473,013	\$ 463,622
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and line of credit	\$ 49,360	\$ 35,218
Accounts payable and accrued expenses	69,776	68,302
Billings in excess of costs and estimated earnings	5,992	8,057
Liabilities related to discontinued operations	3,293	9,471
	-----	-----
Total current liabilities	128,421	121,048
LONG-TERM DEBT, less current maturities	67,014	88,853
OTHER LIABILITIES	3,530	2,039
	-----	-----
Total liabilities	198,965	211,940
	-----	-----
MINORITY INTERESTS	1,430	1,555
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 14)		
STOCKHOLDERS' EQUITY:		
Preferred stock, undesignated, \$.10 par - shares authorized 2,000,000; none outstanding	-	-
Common stock, \$.01 par - shares authorized 60,000,000; shares issued 28,776,438 and 28,571,158; shares outstanding 26,558,165 and 26,602,385	288	286
Additional paid-in capital	132,820	129,651
Retained earnings	194,803	172,112
Treasury stock - 2,218,273 and 1,968,773 shares	(49,745)	(44,563)
Accumulated other comprehensive loss	(5,548)	(7,359)
	-----	-----
Total stockholders' equity	272,618	250,127
	-----	-----
Total liabilities and stockholders' equity	\$ 473,013	\$ 463,622
	=====	=====

The accompanying notes are an integral part of the financial statements.

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INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000  
(In thousands, except number of shares)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Income
	Shares	Amount						
BALANCE, December 31, 1999	27,787,862	\$278	\$ 74,809	\$112,338	\$(45,118)	\$(3,704)	\$138,603	
Net income	-	-	-	34,906	-	-	34,906	\$34,906
Issuance of common stock upon exercise of options, including income tax benefit of \$2,295	364,708	4	7,125	-	-	-	7,129	-
Common stock repurchased	-	-	-	-	(13,360)	-	(13,360)	-
Foreign currency translation adjustment	-	-	-	-	-	(1,988)	(1,988)	(1,988)
Total comprehensive income	-	-	-	-	-	-	-	\$32,918
								=====
BALANCE, December 31, 2000	28,152,570	\$282	\$ 81,934	\$147,244	\$(58,478)	\$(5,692)	\$165,290	
Net income	-	-	-	24,868	-	-	24,868	\$24,868
Issuance of common stock upon exercise of options, including income tax benefit of \$2,209	418,588	4	8,257	-	-	-	8,261	-
Issuance of common stock pursuant to acquisition	-	-	39,460	-	26,133	-	65,593	-
Common stock repurchased	-	-	-	-	(12,218)	-	(12,218)	-
Foreign currency translation adjustment	-	-	-	-	-	(1,667)	(1,667)	(1,667)
Total comprehensive income	-	-	-	-	-	-	-	\$23,201
								=====
BALANCE, December 31, 2001	28,571,158	\$286	\$129,651	\$172,112	\$(44,563)	\$(7,359)	\$250,127	
Net income	-	-	-	22,691	-	-	22,691	\$22,691
Issuance of common stock upon exercise of options, including income tax benefit of \$654	205,280	2	3,169	-	-	-	3,171	-
Common stock repurchased	-	-	-	-	(5,182)	-	(5,182)	-
Foreign currency translation adjustment	-	-	-	-	-	1,811	1,811	1,811
Total comprehensive income	-	-	-	-	-	-	-	\$24,502
								=====
BALANCE, December 31, 2002	28,776,438	\$288	\$132,820	\$194,803	\$(49,745)	\$(5,548)	\$272,618	

The accompanying notes are an integral part of the financial statements.

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INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000  
(In thousands)

	2002	2001	2000
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$22,691	\$24,868	\$34,906
Loss from discontinued operations	5,869	72	-
Income from continuing operations	28,560	24,940	34,906
Adjustments to reconcile net income to net cash provided by operating activities, excluding the effects of acquisitions -			
Depreciation	14,397	14,382	13,398
Amortization	1,433	7,001	5,282
Gain on sale of investment	(1,225)	-	-
Other	227	1,425	(2,417)
Asset impairment charge	3,499	-	-
Restructuring charges	2,458	4,127	-
Deferred income taxes	(4,364)	891	1,057

Changes in operating assets and liabilities, net of purchased businesses (Note 13)	(19,657)	(8,051)	(9,603)
Net cash provided by operating activities of continuing operations	25,328	44,715	42,623
Net cash provided (used) by operating activities of discontinued operations	853	(9,879)	-
Net cash provided by operating activities	26,181	34,836	42,623
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(21,782)	(16,638)	(30,208)
Proceeds from sale of fixed assets	10,503	9,048	-
Proceeds from sale of investment	1,920	-	-
Net proceeds from sale of businesses (discontinued operations)	5,430	-	-
Purchases of businesses, net of cash acquired	(8,459)	(1,878)	(7,032)
Other investing activities	(960)	(2,147)	1,476
Net cash used in investing activities	(13,348)	(11,615)	(35,764)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	2,517	6,052	4,834
Purchases of treasury stock	(5,182)	(12,218)	(13,360)
Proceeds from long-term debt	-	-	660
Principal payments on long-term debt	(20,938)	(20,611)	(2,765)
Increase in notes payable	10,246	14,995	542
Net cash used in financing activities	(13,357)	(11,782)	(10,089)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,261	(897)	(846)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	737	10,542	(4,076)
CASH AND CASH EQUIVALENTS, beginning of year	74,649	64,107	68,183
CASH AND CASH EQUIVALENTS, end of year	\$75,386	\$74,649	\$64,107
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for-			
Interest	\$ 7,828	\$ 9,652	\$ 9,217
Income taxes	17,591	15,121	18,512

The accompanying notes are an integral part of the financial statements.

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NONCASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock pursuant to acquisition	\$ -	\$ 65,593	\$ -
Issuance of note payable pursuant to acquisition	\$ -	\$ 5,350	\$ -

The accompanying notes are an integral part of the financial statements.

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INSITUFORM TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS:

Insituform Technologies, Inc. (a Delaware corporation) and subsidiaries (collectively, the "Company") 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 proprietary "cured-in-place" pipeline rehabilitation process (the "Insituform CIPP Process"). Pipebursting is a non-proprietary trenchless method of dilating and replacing an old pipeline with a new plastic pipe. The microtunneling process is a non-proprietary method of drilling a new tunnel from surface operated equipment. Sliplining is a non-proprietary method used to push or pull a new pipeline into an old one. The Company's TiteLiner ("TiteLiner") process is a proprietary method of lining steel lines with a corrosion and abrasion resistant pipe. The Company also engages in 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, the most significant of which includes a

75%-owned United Kingdom subsidiary, Insituform Linings Plc. and an 89.6%-owned French subsidiary, Video Injection, S.A. For contractual joint ventures, the Company recognizes revenue and profits on its portion of the contract. All intercompany transactions and balances have been eliminated.

#### Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

#### Stock-Based Compensation

At December 31, 2002, the Company has two active stock-based compensation plans, which are described in Note 10. The Company applies the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for those plans. No stock-based compensation expense was reflected in the 2002, 2001, or 2000 net income as all options granted during those years had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation (in thousands, except share data):

	2002 -----	2001 -----	2000 -----
Net income - as reported	\$ 22,691	\$ 24,868	\$ 34,906
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(6,080)	(5,710)	(3,576)
Pro forma net income	\$ 16,611 =====	\$ 19,158 =====	\$ 31,330 =====

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	2002 -----	2001 -----	2000 -----
Basic earnings per share:			
As reported	\$ 0.86	\$ 0.94	\$ 1.41
Pro forma	0.63	0.72	1.26
Diluted earnings per share:			
As reported	0.85	0.92	1.37
Pro forma	0.62	0.71	1.23

For SFAS 123 disclosure purposes, the weighted average fair value of stock options is required to be based on a theoretical option-pricing model such as the Black-Scholes method. In actuality, because the Company's employee stock options are not traded on an exchange and are subject to vesting periods, the disclosed fair value represents only an approximation of option value based solely on historical performance. Beginning in 2000, the Company decided to increase the alignment of key employee goals and shareholder objectives by increasing the relative value of variable compensation. Recent stock market volatility has increased the fair value of options granted. The above factors, coupled with the Company's three-year vesting period on options, has caused an increase in the theoretical value of stock option compensation in each of the years presented.

#### Revenues

Revenues include construction and installation revenues that are recognized

using the percentage-of-completion method of accounting in the ratio of costs incurred to estimated final costs. 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. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of these contracts, recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. When estimates indicate that a loss will be incurred on a contract on completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. At December 31, 2002, there are no significant provisions for expected losses on contracts. Revenue from change orders, extra work, variations in the scope of work and claims is recognized when realization is reasonably assured.

#### Research and Development

The Company expenses research and development costs as incurred. Research and development costs of \$2.0 million, \$2.3 million and \$2.4 million for the years ended December 31, 2002, 2001 and 2000, respectively, are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

#### 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, and in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 also requires that a valuation allowance be recorded against any deferred tax assets that are not likely to be realized in the future.

#### Earnings Per Share

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

	2002 -----	2001 -----	2000 -----
Weighted average number of common shares used for basic EPS	26,533,541	26,427,276	24,834,413

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	2002 -----	2001 -----	2000 -----
Effect of dilutive stock options and warrants	198,221	495,996	705,751
Weighted average number of common shares and dilutive potential common stock used in diluted EPS	26,731,762 =====	26,923,272 =====	25,540,164 =====

#### Classification of Current Assets and Current Liabilities

The Company includes in current assets and current liabilities certain amounts realizable and payable under construction contracts which may extend beyond one year. The construction periods on projects undertaken by the Company generally range from 1 to 24 months.

#### Cash and Cash Equivalents

The Company classifies highly liquid investments with original maturities of 90 days or less as cash equivalents. Recorded book values are reasonable estimates of fair value for cash and cash equivalents. Restricted cash consists of payments from certain identifiable customers placed in escrow in lieu of retention in case of potential issues regarding future job performance by the



Company. Restricted cash is similar to retainage and is therefore classified as a current asset, consistent with the Company's policy on retainage below. At December 31, 2002 and 2001, restricted cash totaled \$4.0 million and \$4.3 million, respectively.

#### Retainage

Many of the contracts under which the Company performs work contain retainage provisions. Retainage refers to that portion of revenue earned by the Company but held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Company assumes that all amounts retained by customers under such provisions are fully collectible. Retainage on active contracts is classified as a current asset regardless of the term of the contract. Retainage is normally collected within one year of the completion of a contract, although collection can take up to two years in Europe. See Note 7 regarding costs and estimated earnings on uncompleted contracts.

#### Allowance for Doubtful Accounts

Management makes estimates of the uncollectibility of accounts receivable. The Company records a reserve for specific accounts to reduce receivables, including retainage, to the amount that is expected to be collected. The specific reserves are reevaluated and adjusted as additional information is received. After all attempts to collect the receivable have failed, the receivable is written off against the reserve.

#### Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Actual cost is used to value raw materials and supplies. Standard cost, which approximates actual cost, is used to value work-in-process, finished goods and construction materials. Standard cost includes direct labor, raw materials, and manufacturing overhead based on practical capacity.

#### Long-Lived Assets

Property, plant and equipment, and other intangibles are recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such impairment tests are based on a comparison of undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset value is written down to its fair value. See Notes 4 and 6 regarding discontinued operations and intangible asset impairment.

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#### Goodwill

Prior to 2002, the Company amortized goodwill over periods of 15 to 25 years on the straight-line basis. SFAS 142, which was adopted by the Company on January 1, 2002, provides that goodwill should not be amortized, but shall be tested for impairment annually, or more frequently if circumstances indicate potential impairment. The Company recognized no amortization expense in 2002, nor was any goodwill identified as being impaired based on management's transitional and annual impairment analyses performed during 2002. Amortization expense related to goodwill for the years ended December 31, 2001 and 2000 was \$6.2 million and \$3.8 million pre-tax, respectively. See Note 8 regarding acquired intangible assets and goodwill.

#### Treasury Stock

Treasury stock is accounted for at acquisition cost.

#### Foreign Currency Translation

Results of operations for foreign entities are translated using the average exchange rates during the period. Current 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.

#### New Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which was adopted by the Company as of January 1, 2003. SFAS No. 143 did not have a material impact on the consolidated financial statements upon adoption.

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires an entity to recognize, and measure at fair value, a liability for costs associated with an exit or disposal activity in the period in which the liability is incurred. SFAS 146 supercedes Emerging Issues Task Force Issue ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company has adopted the provisions of SFAS 146 effective January 1, 2003. There was no material impact upon adoption.

In November 2002, FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued along with expanded disclosures of warranty reserves. It also requires that a guarantor recognize a liability for the fair value of the obligation undertaken in issuing the guarantee at the inception of the guarantee. This interpretation incorporates the guidance in FIN 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superseded. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end and the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. Adoption of FIN 45 did not have a material impact on the consolidated financial statements. See Note 14 regarding commitments and contingencies.

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In December 2002, FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation" and allows two alternative methods of transition for a voluntary change to the more preferable fair value based method of accounting for stock-based employee compensation. These methods avoid the ramp-up effect arising from prospective application of the fair value based method. The Statement also amends APB Opinion No. 28, "Interim Financial Reporting," and requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the fair value based method of accounting and requires the inclusion of the disclosure in financial reports for interim periods. SFAS 148 is effective for interim and year-end financial statements for fiscal years ending after December 15, 2002. As previously disclosed, the Company will continue to account for stock compensation pursuant to APB 25. However, it has adopted the disclosure provisions of FAS 148.

In January 2003, FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," which addresses the reporting and consolidation of variable interest entities as they relate to a business enterprise. This interpretation incorporates and supercedes the guidance set forth in ARB No. 51, "Consolidated Financial Statements." It requires the consolidation of variable interests into the financial statements of a business enterprise if that enterprise holds a controlling financial interest via other means than the traditional voting majority. The disclosure requirements of FIN 46 are effective immediately for variable interest entities created after January 31, 2003 and thereafter, or the first reporting period after June 15, 2003 for variable interest entities for which an enterprise holds a variable interest that it acquired prior to February 1, 2003. The Company does not expect that the adoption of FIN46 will have a material impact on its future consolidated financial statements.

### 3. BUSINESS ACQUISITIONS:

Effective May 1, 2002, the Company acquired the business and certain assets and liabilities of Elmore Pipe Jacking, Inc. ("Elmore") for approximately \$12.5 million. Elmore was a regional provider of trenchless tunneling, microtunneling, segmented lining and pipe jacking services in the western U.S. The purchase price included \$8.5 million in cash, settlement of \$2.3 million of debt owed by

Elmore to the Company, and the assumption of an additional \$1.7 million of liabilities, of which \$0.2 million was interest-bearing and the remainder, including covenants not to compete, owed to the former owners of the Elmore assets. The purchase price was allocated to assets acquired and liabilities assumed based on their respective fair values at the date of acquisition and resulted in goodwill of \$8.9 million. The Company's results reflect the operating of Elmore's former assets from the date of acquisition. The Elmore acquisition added \$20.7 million of revenues, \$1.0 million of operating income, and \$0.6 million of net income in the tunneling segment for the period from May 1, 2002 through December 31, 2002. Pro forma information is immaterial and has not been presented relative to the Elmore acquisition.

On February 28, 2001, the Company acquired 100% of the stock of Kinsel Industries, Inc. ("Kinsel") and an affiliated company, Tracks of Texas, Inc. ("Tracks"). Kinsel had operations in pipebursting, microtunneling, wastewater treatment plant construction, commercial construction and highway construction and maintenance. Tracks was a real estate and construction equipment leasing company that primarily leased equipment to Kinsel. The purchase price was approximately \$80 million, paid in a combination of cash, a \$5.4 million note to the seller and 1,847,165 shares of the Company's common stock valued at \$35.51 per share. The transaction was accounted for by the purchase method of accounting, and accordingly, their results are included in the Company's consolidated income statement from the date of acquisition. The purchase price was allocated to assets acquired and liabilities assumed based on their respective fair value at the date of acquisition and resulted in goodwill of \$61.2 million. There are no contingent payments, options, or commitments in connection with the acquisition. The Company subsequently decided to sell off portions of Kinsel that did not fit the Company's overall business strategy. In March 2003, the Company settled various claims against the former shareholders of Kinsel. See Note 16 for further discussion on the settlement. See Note 4 regarding discontinued operations.

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The following unaudited pro forma summary presents information as if Kinsel and Tracks had been acquired as of January 1, 2000. The pro forma amounts include certain adjustments, primarily to recognize depreciation and amortization, including amortization of goodwill, based on the allocated purchase price of Kinsel and Tracks assets, and do not reflect any benefits from economies which might be achieved from combining operations. The unaudited pro forma information has been presented for comparative purposes and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations of the combined companies (in thousands, except per share amounts).

	For the Year Ended December 31, (unaudited)	
	2001	2000
	-----	-----
Revenues	\$454,923	\$441,756
Income from continuing operations	25,398	35,338
Loss from discontinued operations	(843)	(550)
Net income	24,555	34,788
Earnings (loss) per share:		
Basic		
Income from continuing operations	0.96	1.32
Loss from discontinued operations	(0.03)	(0.02)
Net income	0.93	1.30
Diluted		
Income from continuing operations	0.94	1.29
Loss from discontinued operations	(0.03)	(0.02)
Net income	0.91	1.27

During the third quarter of 2000, the Company acquired the remaining 50% ownership of Insituform Belgium N.V. (formerly known as K-Insituform N.V.), its joint venture in Belgium, for approximately \$0.3 million, along with the remaining 33% ownership in Insituform France, S.A., for approximately \$0.8 million. In addition, in July 2000, the Company completed its acquisition of 50% of Italcontrolli-Insituform S.r.l. (formerly known as Italcontrolli Nord

S.r.l.), its licensee in Italy, for approximately \$1.2 million. There was no material goodwill resulting from these acquisitions.

In February 2000, the Company acquired the rights to the Insituform CIPP Process and NuPipe(R) process for the states of New York and New Jersey, through the purchase of all of the shares of the capital stock in Insituform Metropolitan, Inc. and the operating assets of certain of its affiliates. The Company paid the sellers an aggregate of \$5.0 million in cash, in addition to assuming operating liabilities of the acquired business. The acquisition was accounted for by the purchase method and resulted in goodwill of \$4.8 million.

4. DISCONTINUED OPERATIONS:

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company elected to early adopt the provisions of SFAS No. 144 for the year ended December 31, 2001. SFAS No. 144 supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets to be disposed of" and provides a single accounting model for long-lived assets to be disposed of by sale. SFAS No. 144 clarifies certain provisions related to SFAS No. 121 and expands the use of discontinued operations to all components of a business for which separate results of operations can be identified.

In 2001, the Company made the decision to sell certain operations acquired in the Kinsel transaction. Accordingly, the Company classified as discontinued the wastewater treatment plant, commercial

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construction and highway operations acquired as part of the Kinsel acquisition. These operations are not consistent with the Company's operating strategy of providing differentiated trenchless rehabilitation and tunneling services. The Company completed the sale of the wastewater treatment plant effective January 1, 2002. The Company received \$1.5 million in cash and a \$2.0 million note for a total sale price of \$3.5 million, resulting in a slight loss on the sale. See Note 16 for a related subsequent event. During the third quarter of 2002, the Company sold the heavy highway construction business for \$2.6 million in cash and \$1.5 million in notes, resulting in a pre-tax gain of \$1.5 million, or \$0.9 million after-tax, which is reflected in income (loss) from discontinued operations in the table below. The Company completed the sale of certain assets and contracts of the Kinsel highway maintenance business during the fourth quarter of 2002 for certain assumed liabilities, \$1.4 million in cash and a \$1.5 million subordinated note, with no material gain or loss for the sale. Pursuant to the terms of the sale agreements described above, the Company retained responsibility for some uncompleted jobs, which has resulted in the absorption of additional trailing costs. The Company expects to substantially complete these jobs in the second quarter of 2003. This completes the disposition of all material assets classified as discontinued pursuant to the acquisition of Kinsel. See Note 16 for discussion of the Kinsel escrow settlement subsequent to December 31, 2002.

For the twelve months ended December 31, 2002, including an after-tax gain of \$0.9 million on the sale of the heavy highway business, discontinued operations lost \$5.9 million on \$22.6 million in revenues. As of December 31, 2002 and December 31, 2001, assets held for disposal totaled \$7.9 million and \$32.0 million, respectively, and included \$0.7 million and \$7.6 million of unbilled receivables, respectively. Assets held for disposal also included \$2.0 million in retainage receivables, \$0.5 million of trade accounts receivable, \$4.2 million of prepaid assets and notes receivable, and \$0.5 million of fixed assets at December 31, 2002. Liabilities related to discontinued operations totaled \$3.3 million and \$9.5 million at December 31, 2002 and 2001, respectively. The results of discontinued operations are as follows (in thousands):

	2002 -----	2001 -----
REVENUES:		
Wastewater Treatment Plant	\$ 37	\$26,336
Commercial Construction and Highway Operations	22,524	30,576
	-----	-----
	\$22,561	\$56,912
	=====	=====
INCOME (LOSS) FROM DISCONTINUED OPERATIONS:		
Wastewater Treatment Plant, net of tax benefit of \$1,153 and		

Commercial Construction and Highway Operations, net of tax benefit of \$2,521 and \$277, respectively	(4,027)	(426)
	-----	-----
	\$ (5,869)	\$ (72)
	=====	=====

#### 5. RESTRUCTURING:

In the third quarter of 2002, the Company recorded a pre-tax restructuring charge of \$2.5 million (\$1.5 million after-tax), \$1.3 million of which was severance costs associated with the elimination of 75 salaried positions, primarily related to administrative and other overhead functions. An additional \$1.2 million involved related decisions for information technology asset write-downs, lease cancellations, and disposal of certain identifiable fixed assets primarily at the corporate level. As of December 31, 2002, the remaining liability on this restructuring was \$1.1 million, of which \$0.8 million relates to future severance costs and \$0.4 million relates to retirement of equipment, both of which are expected to be substantially settled in 2003.

In the fourth quarter of 2001, the Company recorded a pre-tax restructuring charge of \$4.1 million (\$2.5 million after tax), \$0.9 million of which is severance costs associated with the elimination of 112 company-wide positions specifically identified as of December 31, 2001. An additional \$3.2 million of the charge

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relates to asset write-downs, lease cancellations and other costs associated with the closure of eight facilities in the United States and the disposal of the associated assets. As of December 31, 2002, the remaining liability was \$0.5 million, \$0.3 million of which is for retirement of equipment, and \$0.2 million relates to facilities closure costs, both of which are expected to be substantially settled in 2003.

The following table illustrates each of the restructuring reserve components and the related balances at December 31, 2002 (in thousands):

	Balance at December 31, 2001	2002 Reserve	Charged during 2002		Balance at December 31, 2002
	-----	-----	-----	-----	-----
			Cash	Non-Cash	
			-----	-----	
2001 Reserve					
Severance	\$ 844		\$ (844)	\$ -	\$ -
Equipment	616		(122)	(237)	257
Facility	1,702		(1,171)	(302)	229
	-----		-----	-----	-----
Total	\$3,162		\$ (2,137)	\$ (539)	486
	=====		=====	=====	=====
2002 Reserve					
Severance	\$ -	\$1,258	\$ (465)	\$ -	\$ 793
Equipment	-	1,200	(852)	-	348
	-----	-----	-----	-----	-----
Total	\$ -	\$2,458	\$ (1,317)	\$ -	\$1,141
	=====	=====	=====	=====	=====

#### 6. INTANGIBLE ASSET IMPAIRMENT:

During the third quarter of 2002, the Company determined that certain patent, trademark, license and non-compete intellectual property assets had become impaired due to recent business decisions and other circumstances. No further bidding or work was performed during 2002 that related to any of the intangible assets determined to be impaired. The impairment analysis was conducted in accordance with SFAS 144, which the Company early adopted in 2001, and included an assessment of future undiscounted cash flows expected to be generated from

the intangible assets. The impact of the impairment charge was \$3.5 million (\$2.2 million after tax).

7. SUPPLEMENTAL BALANCE SHEET INFORMATION:

Allowance for Doubtful Accounts

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

	2002 -----	2001 -----	2000 -----
Balance, at beginning of year	\$2,208	\$2,067	\$3,096
Charged to expense	503	537	442
Write-offs and adjustments	(536)	(396)	(1,471)
	-----	-----	-----
Balance, at end of year	\$2,175 =====	\$2,208 =====	\$2,067 =====

Costs and Estimated Earnings on Uncompleted Contracts

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

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	2002 -----	2001 -----
Costs incurred on uncompleted contracts	\$269,968	\$230,004
Estimated earnings	73,351	61,859
	-----	-----
Less- Billings to date	343,319 (312,631)	291,863 (276,201)
	-----	-----
	\$ 30,688 =====	\$ 15,662 =====
Included in the accompanying balance sheets:		
Costs and estimated earnings in excess of billings	\$ 36,680	\$ 23,719
Billings in excess of costs and estimated earnings	(5,992)	(8,057)
	-----	-----
	\$ 30,688 =====	\$ 15,662 =====

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 billed and collected within one year. Retainage due after one year is approximately \$6.8 million at December 31, 2002.

Inventories

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

	2002 -----	2001 -----
Raw materials and supplies	\$ 908	\$ 710
Work-in-process	3,665	4,958
Finished products	1,449	1,750
Construction materials	6,780	6,653
Allowance for excess and obsolescence	(400)	(359)
	-----	-----
	\$12,402 =====	\$13,712 =====

Property, Plant and Equipment

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

	Estimated Useful Lives (Years)	2002	2001
		-----	-----
Land and land improvements		\$ 9,681	\$ 9,336
Buildings and improvements	5 - 40	25,768	25,342
Machinery and equipment	4 - 10	109,337	94,368
Furniture and fixtures	3 - 10	13,429	11,300
Autos and trucks	3 - 10	5,126	5,208
Construction in progress		2,561	6,839
		-----	-----
		165,902	152,393
Less- Accumulated depreciation		(94,323)	(83,846)
		-----	-----
		\$ 71,579	\$ 68,547
		=====	=====

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Other Assets

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

	2002	2001
	-----	-----
Licenses	\$ 1,387	\$ 2,154
Patents and trademarks	2,046	5,510
Investment in licensees, affiliates, and subsidiaries	6,412	6,495
Deferred income taxes	1,734	-
Non-compete agreements	2,615	117
Other	3,557	3,781
	-----	-----
	\$ 17,751	\$ 18,057
	=====	=====

Accounts Payable and Accrued Expenses

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

	2002	2001
	-----	-----
Accounts payable - trade	\$ 46,487	\$ 43,905
Compensation and profit sharing	6,431	6,153
Interest	2,777	3,039
Warranty	590	27
Other	13,491	15,178
	-----	-----
	\$ 69,776	\$ 68,302
	=====	=====

8. ACQUIRED INTANGIBLE ASSETS AND GOODWILL:

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other

Intangible Assets," which requires that an intangible asset that is acquired shall be initially recognized and measured based on its fair value. This statement also provides that certain intangible assets deemed to have an indefinite useful life, such as goodwill, should not be amortized, but shall be tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. SFAS 142 is effective for fiscal periods beginning after December 15, 2001. The Company adopted SFAS 142 on January 1, 2002, at which time amortization of goodwill ceased and a transitional impairment test was performed. The annual impairment test for goodwill was performed in the fourth quarter of 2002. Management retained an independent party to perform a valuation of the Company's reporting units as of these dates and determined that no impairment of goodwill existed.

Changes in the carrying amount of goodwill for the year ended December 31, 2002 were as follows (in thousands):

	Rehabilitation -----	Tunneling -----	Total -----
Balance as of December 31, 2001	\$117,251	\$ -	\$117,251
Reassignment of goodwill due to adoption of SFAS 142	4,792	-	4,792
Goodwill acquired as part of Elmore purchase	-	8,892	8,892
Impact of foreign exchange rates	97	-	97
Balance as of December 31, 2002	\$122,140 =====	\$ 8,892 =====	\$131,032 =====

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Intangible assets are as follows (in thousands):

	As of December 31, 2002 -----	
	Gross Carrying Amount -----	Accumulated Amortization -----
Amortized intangible assets:		
Patents and trademarks	\$ 13,943	\$ (11,897)
License agreements	3,264	(1,877)
Non-compete agreements	4,628	(2,013)
Total	\$ 21,835 =====	\$ (15,787) =====

Aggregate amortization expense:	
For twelve months ended December 31, 2002	\$ 1,433
Estimated amortization expense:	
For year ended December 31, 2003	\$ 1,166
For year ended December 31, 2004	1,072
For year ended December 31, 2005	730
For year ended December 31, 2006	725
For year ended December 31, 2007	332

The effect of the adoption of SFAS 142 on reported net income was as follows (in thousands, except per share information):

	Twelve Months Ended December 31, -----		
	2002 -----	2001 -----	2000 -----
Reported income from continuing operations	\$28,560	\$24,940	\$34,906
Add: Goodwill amortization related to continuing operations, net			



of tax	-	3,794	2,282
Adjusted income from continuing operations	\$28,560	\$28,734	\$37,188
Reported net loss from discontinued operations	(5,869)	(72)	-
Add: Goodwill amortization related to discontinued operations, net of tax	-	126	-
Adjusted net income	\$22,691	\$ 28,788	\$37,188
Basic earnings per share:			
Reported income from continuing operations	\$ 1.08	\$ 0.94	\$ 1.41
Add: Goodwill amortization related to continuing operations, net of tax	-	0.14	0.09
Adjusted income from continuing operations	\$ 1.08	\$ 1.09	\$ 1.50
Reported net loss from discontinued operations	(0.22)	-	-
Add: Goodwill amortization related to discontinued operations, net of tax	-	-	-
Adjusted net income	\$ 0.86	\$ 1.09	\$ 1.50
Diluted earnings per share:			
Reported income from continuing operations	\$ 1.07	\$ 0.93	\$ 1.37
Add: Goodwill amortization related to continuing operations, net of tax	-	0.14	0.09
Adjusted income from continuing operations	\$ 1.07	\$ 1.07	\$ 1.46

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	Twelve Months Ended December 31,		
	2002	2001	2000
Reported net loss from discontinued operations	(0.22)	-	-
Add: Goodwill amortization related to discontinued operations, net of tax	-	-	-
Adjusted net income	\$ 0.85	\$ 1.07	\$ 1.46

9. LONG-TERM DEBT AND LINE OF CREDIT:

Long-term debt and line of credit consisted of the following at December 31 (in thousands):

	2002	2001
7.88% Senior Notes, payable in \$15,715 annual installments beginning February 2001 through 2007, with interest payable semiannually	\$ 78,570	\$ 94,285
Line of credit facility	26,000	15,913
5.5% bank term loan, EUR5.7 million, payable in seven equal annual installments through July 2006, with interest payable quarterly	3,398	3,618
Other notes, including capital leases, interest rates from 5.0% to 10.5%	8,406	10,255
	116,374	124,071
Less- Current maturities	(49,360)	(35,218)
	\$ 67,014	\$ 88,853

The 7.88% 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

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. The Company was in compliance with all debt covenants at December 31, 2002.

During 2000, the Company obtained a line of credit facility with the capacity to borrow up to \$50 million. The commitment fee paid per annum by the Company is 0.2% on the unborrowed balance. The Company is obligated to comply with certain financial ratios, and restrictive covenants, which mirror the Senior Note agreements. This line of credit facility expires March 31, 2003. The interest rates under this facility vary and are based on the prime rate. As of December 31, 2002, the rate was 2.19%. The unused availability on the line of credit facility as of December 31, 2002 was \$18.8 million. See Note 16 regarding subsequent event for refinancing of the credit facility.

At December 31, 2002 and 2001, the estimated fair value of the Company's long-term debt was approximately \$118.2 million and \$124.4 million, respectively. Fair value was estimated using discounted market rates for debt of similar risk and maturity.

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

Year	Amount
-----	-----
2003	\$ 49,360*
2004	17,377
2005	17,007

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Year	Amount
-----	-----
2006	16,764
2007	15,822
After 2007	44
	-----
Total	\$116,374
	=====

\* Includes refinancing of prior credit facility.

10. STOCKHOLDERS' EQUITY:

Stock Option Plans

The 2001 Employee Equity Incentive Plan (the "Employee Incentive Plan") provides for the granting to employees of stock-based awards, including (a) stock appreciation rights, (b) restricted shares of common stock, (c) performance awards, (d) stock options and (e) stock units. The maximum number of shares of common stock which currently may be issued under the Employee Incentive Plan is 1,000,000. The Employee Incentive Plan is administered by the Compensation Committee of the Board of Directors, which determines the eligibility, timing, pricing, amount, vesting and other terms and conditions of awards, including stock option awards. The Company accounts for options granted under this plan in accordance with APB 25. The exercise price of each option issued under the 2001 Employee Incentive Plan equals the closing market price of the Company's stock on the date of grant and, therefore, the Company makes no charge to earnings with respect to these options. Stock options, issued under the 2001 Employee Incentive Plan, generally vest over three years (with 25% vesting upon grant) and have an expiration date of up to five to ten years after the date of grant.

The 2001 Non-Employee Director Equity Incentive Plan (the "Non-Employee Director Incentive Plan") provides for the granting of stock options to non-employee

directors. The total number of shares of common stock available for issuance under the Non-Employee Director Incentive Plan is 200,000. The Non-Employee Director Incentive Plan is administered by the Board of Directors. Under the terms of the Non-Employee Director Incentive Plan, each non-employee director receives a stock option to purchase shares of common stock each year on the date of the Annual Meeting of Stockholders (or promptly thereafter, as determined by the Board), provided that such director continues to be a non-employee director following such Annual Meeting. The purchase price per share of common stock for which each option is exercisable is the fair market value per share of common stock on the date the option is granted.

Each option granted under the Non-Employee Director Incentive Plan is fully vested and exercisable immediately, and expires not later than ten years from the date of the grant.

Under the 1992 Employee Stock Option Plan (the "Employee Plan") and Director Stock Option Plan (the "Director Plan"), the Company was authorized to grant options to its employees and directors not to exceed 2,850,000 and 1,500,000 shares of common stock, respectively. No options are to be granted under the Employee Plan or the Director Plan since the adoption of the Employee Incentive Plan and the Non-Employee Director Incentive Plan. The plans were administered by the Board of Directors, which determined the timing of awards, individuals granted awards, the number of options awarded and the price, vesting schedule and other conditions of the options. The exercise price of each option equaled the closing market price of the Company's stock on the date of grant and, therefore, the Company made no charge to earnings with respect to these options. Options generally vest over three years (with 25% vesting upon grant) and have an expiration date of up to five to ten years after the date of grant.

In accordance with SFAS No. 123, the Company has estimated the fair value of each option grant using the Black-Scholes option-pricing model and has included in Note 2 a table illustrating the effect on net income and earnings per share had the Company applied the fair value recognition provisions. The following weighted average assumptions were used for the grants in 2002, 2001, and 2000, respectively: expected

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volatility of 64%, 75%, and 62%; risk-free interest rates of 3.8%, 4.8%, and 5.1%; expected lives of six, seven and five years and no dividends.

The following tables summarize information about options outstanding at December 31, 2002:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$4.00 to \$10.00	139,895	4.6 years	\$ 8.76	139,895	\$ 8.76
\$10.00 to \$20.00	393,171	3.9 years	\$ 14.39	387,421	\$14.36
\$20.00 and above	1,617,903	6.3 years	\$ 27.11	915,097	\$27.69
	2,150,969	5.8 years	\$ 23.59	1,442,413	\$22.28

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	1,857,302	\$22.50	1,743,002	\$18.10	1,478,829	\$12.14
Granted	676,471	23.88	656,463	29.02	630,100	28.99
Exercised	(205,280)	12.26	(418,588)	14.46	(364,708)	12.83

Forfeited	(177,524)	25.99	(123,575)	22.20	(1,219)	10.84
Options outstanding, end of year	2,150,969	\$23.59	1,857,302	\$22.50	1,743,002	\$18.09
Options exercisable, end of year	1,442,413	\$22.28	1,052,779	\$19.36	913,824	\$15.10
Weighted average fair value of options granted	\$ 14.26		\$ 21.26		\$ 16.58	

At December 31, 2002, 2,667,994 shares of common stock were reserved pursuant to stock option plans.

For SFAS 123 disclosure purposes (as presented in Note 2), the weighted average fair value of stock options is required to be based on a theoretical option-pricing model such as the Black-Scholes method. In actuality, because the Company's employee stock options are not traded on an exchange and are subject to vesting periods, the disclosed fair value represents only an approximation of option value based solely on historical performance. Employees can receive no value nor derive any benefit from holding stock options under these plans without an increase in the market price of the Company's stock over time. Such an increase in stock price benefits all stockholders commensurately.

#### Shareholders' Rights Plan

In February 2002, the Company's Board of Directors adopted a Shareholder Rights Plan. Pursuant to the Shareholder Rights Plan, the Board of Directors declared a dividend distribution of one preferred stock purchase right ("Right") for each outstanding share of the Company's common stock, \$.01 par value ("Common Stock"), payable to the Company's stockholders of record as of March 13, 2002. Each Right, when exercisable, entitles the holder to purchase from the Company one one-hundredth of a share of a new series of voting preferred stock, designated as Series A Junior Participating Preferred Stock, \$0.10 par value, at an exercise price of \$116.00 per one one-hundredth of a share.

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The Rights will trade in tandem with the Common Stock until ten days after a "distribution event" (i.e., the announcement of an intention to acquire or the actual acquisition of 20% or more of the outstanding shares of Common Stock), at which time the Rights would become exercisable. Upon exercise, the holders of the Rights (other than the person who triggered the distribution event) will be able to purchase for the exercise price shares of Common Stock having the then market value of two times the aggregate exercise price of the rights. The rights expire on March 12, 2012, unless redeemed, exchanged or otherwise terminated at an earlier date.

#### 11. OTHER INCOME (EXPENSE):

Other income (expense) was comprised of the following for the year ended December 31 (in thousands):

	2002	2001	2000
	-----	-----	-----
Interest income	\$ 1,898	\$ 2,226	\$ 3,493
Gain on sale of real estate	1,225	-	-
Other	(68)	83	239
	-----	-----	-----
	\$ 3,055	\$ 2,309	\$ 3,732
	=====	=====	=====

During 2002, the Company disposed of a real estate investment acquired with Kinsel for proceeds of \$1.9 million and a gain of \$1.2 million, included in the table above.

#### 12. TAXES ON INCOME:

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

	2002	2001	2000
	-----	-----	-----
Domestic	\$38,464	\$28,871	\$46,801
Foreign	6,863	10,864	10,550
	-----	-----	-----
Total	\$45,327	\$39,735	\$57,351
	=====	=====	=====

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

	2002	2001	2000
	-----	-----	-----
Current:			
Federal	\$ 15,578	\$ 8,320	\$14,844
Foreign	3,935	4,822	4,454
State	2,302	1,620	2,292
	-----	-----	-----
	\$ 21,815	\$ 14,762	\$21,590
	-----	-----	-----
Deferred:			
Federal	(3,705)	580	727
Foreign	(247)	247	249
State	(412)	64	81
	-----	-----	-----
	\$ (4,364)	\$ 891	\$ 1,057
	-----	-----	-----

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	2002	2001	2000
	-----	-----	-----
Total Tax Provision	\$ 17,451	\$ 15,653	\$22,647
	=====	=====	=====

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

	2002	2001	2000
	-----	-----	-----
Income taxes at U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Increase in taxes resulting from:			
State income taxes, net of federal income tax benefit	3.5	3.2	3.6
Amortization of intangibles	(1.5)	2.4	1.3
Effect of foreign income taxed at foreign rates	0.5	(0.1)	.3
Other	1.0	(1.1)	(0.7)
	-----	-----	-----
Total taxes on income	38.5%	39.4%	39.5%
	=====	=====	=====

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

	2002	2001
	-----	-----
Deferred income tax assets:		
Foreign tax credits and net operating loss carryforwards	\$ 1,527	\$ 1,183

Accrued expenses	4,918	2,597
Other	1,679	1,143
	-----	-----
Total deferred income tax assets	8,124	4,923
	-----	-----
Deferred income tax liabilities:		
Property, plant and equipment	(4,855)	(4,114)
Other	(1,535)	(3,438)
	-----	-----
Total deferred income tax liabilities	(6,390)	(7,552)
	-----	-----
Net deferred income tax assets (liabilities)	\$ 1,734	\$ (2,629)
	=====	=====

Subject to the future taxable income on certain of the Company's subsidiaries, the Company's various foreign tax credits and net operating loss carryforwards have varying expiration dates. Management believes that these deferred tax assets will be realized in future periods and no valuation allowance or additional tax reserves are required at December 31, 2002.

13. CHANGES IN OPERATING ASSETS:

The following are changes in operating assets, excluding the effect of acquisitions and divestitures:

	2002	2001	2000
	-----	-----	-----
Receivables	\$ (9,921)	\$ (6,054)	\$ (27,439)
Inventories	1,313	4,761	(5,727)
Prepaid expenses and other assets	(2,414)	(1,530)	5,383
Accounts payable and accrued expenses	(8,635)	(5,228)	18,180
	-----	-----	-----
	\$ (19,657)	\$ (8,051)	\$ (9,603)
	=====	=====	=====

14. COMMITMENTS AND CONTINGENCIES:

Leases

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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, automotive and computer equipment on a multiyear, monthly or daily basis. During the fourth quarter of 2002, the Company entered into an arrangement for the sale-leaseback of a tunnel boring machine ("TBM"). Future rent expense on the TBM operating lease will be \$1.7 million annually, extending for 7 years and is included in the minimum lease payments presented below. No material gain or loss resulted from the sale-leaseback transaction in 2002. Rent expense under all operating leases for 2002, 2001 and 2000 was \$18.6 million, \$22.3 million and \$17.7 million, respectively. Rental expense paid to related parties was \$600,000, \$453,500 and \$392,750 for the years ended December 31, 2002, 2001 and 2000, respectively. At December 31, 2002, the Company had under lease equipment with an original market value of approximately \$53.0 million.

At December 31, 2002, the future minimum lease payments required under the noncancellable operating leases were as follows (in thousands):

Year	Minimum Lease Payments
-----	-----
2003	\$13,531
2004	9,386
2005	6,062

2006	4,470
2007	3,952
After 2007	7,071
	-----
Total	\$44,472
	=====

#### 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. During the third quarter of 2002, a Company crew had an accident on a cured-in-place pipe project in Des Moines, Iowa. Two workers died and five workers were injured in the accident. In January 2003, the Company received notice of multiple claims, totaling more than \$3.5 million, from the buyer of the former Kinsel wastewater treatment division. The claims arise out of the February 2002 sale of the Kinsel wastewater treatment division and allege the valuation of the assets sold was overstated. No litigation has been commenced. 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

Substantially all of the Company's employees are eligible to participate in the Company sponsored defined contribution savings plan, which is a qualified plan under the requirements of Section 401(k) of the Internal Revenue Code. Total contributions to the domestic plan were \$1.7 million, \$1.5 million and \$4.4 million for the years ended December 31, 2002, 2001 and 2000, respectively.

In addition, certain foreign subsidiaries maintain various other defined contribution retirement plans. Company contributions to such plans for the years ended December 31, 2002, 2001 and 2000 were \$224,718, \$214,552 and \$352,000, respectively.

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#### Guarantees

The Company has entered into several contractual joint ventures to develop joint bids on contracts for its installation businesses, and for tunneling operations. In these cases, the Company could be required to complete the partner's portion of the contract if the partner is unable to complete its portion. The Company is at risk for any amounts for which the Company itself could not complete the work and for which a third party contractor could not be located to complete the work for the amount awarded in the contract. The Company has not experienced material adverse results from such arrangements and foresees no future material adverse impact on financial position, results of operations or cash flows. As a result, the Company has not recorded a liability on the balance sheet associated with this risk.

The Company has many contracts that require the Company to indemnify the other party against loss from claims of patent or trademark infringement. The Company also indemnifies its bonding agents against losses from third party claims of subcontractors. The Company has not experienced material losses under these provisions and foresees no future material adverse impact on financial position, results of operations or cash flows.

#### 15. SEGMENT AND GEOGRAPHIC INFORMATION:

The Company has principally three operating segments: rehabilitation, tunneling and TiteLiner. The segments were determined based upon the types of products sold by each segment and each is regularly reviewed and evaluated separately. The rehabilitation segment provides trenchless methods of rehabilitating sewers, pipelines and other conduits using a variety of technologies including the Insituform CIPP Process, pipebursting, microtunneling, and sliplining. The tunneling segment engages in tunneling used in the installation of new underground services, large diameter microtunneling and sliplining, and the TiteLiner segment provides a method of lining steel lines with a corrosion and abrasion resistant pipe. These operating segments 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 each of the three years ended December 31, 2002.

Financial information by segment was as follows at December 31 (in thousands):

	2002 -----	2001 -----	2000 -----
Revenues:			
Rehabilitation	\$377,674	\$369,219	\$325,773
Tunneling	86,297	49,019	46,866
TiteLiner	16,387	27,072	36,795
	-----	-----	-----
Total revenues	\$480,358	\$445,310	\$409,434
	=====	=====	=====
Operating income:			
Rehabilitation	\$ 35,208	\$ 36,191	\$ 48,997
Tunneling	12,165	5,754	5,858
TiteLiner	2,810	4,820	8,111
	-----	-----	-----
Total operating income	\$ 50,183	\$ 46,765	\$ 62,966
	=====	=====	=====

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	2002 -----	2001 -----	2000 -----
Total assets:			
Rehabilitation	\$315,377	\$311,949	\$244,383
Tunneling	63,218	30,346	18,422
TiteLiner	6,204	12,523	16,531
Corporate	80,305	76,770	75,638
Discontinued	7,909	32,034	0
	-----	-----	-----
Total assets	\$473,013	\$463,622	\$354,974
	=====	=====	=====
Capital expenditures:			
Rehabilitation	\$ 6,093	\$ 8,474	\$ 17,053
Tunneling	12,941	6,045	2,564
TiteLiner	353	61	1,381
Corporate	2,395	2,058	9,210
	-----	-----	-----
Total capital expenditures	\$ 21,782	\$ 16,638	\$ 30,208
	=====	=====	=====
Depreciation and amortization:			
Rehabilitation	\$ 10,035	\$ 16,893	\$ 12,482
Tunneling	2,570	1,292	1,498
TiteLiner	880	1,136	2,034
Corporate	2,345	2,062	2,666
	-----	-----	-----
Total depreciation and amortization	\$ 15,830	\$ 21,383	\$ 18,680
	=====	=====	=====

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



	2002	2001	2000
	-----	-----	-----
Revenues:			
United States	\$408,218	\$361,194	\$333,246
Canada	19,339	23,482	22,199
Other Foreign	52,801	60,634	53,989
	-----	-----	-----
Total revenues	\$480,358	\$445,310	\$409,434
	=====	=====	=====
Operating income:			
United States	\$ 43,502	\$ 39,003	\$ 55,326
Canada	2,616	3,714	3,674
Other Foreign	4,065	4,048	3,966
	-----	-----	-----
Total operating income	\$ 50,183	\$ 46,765	\$ 62,966
	=====	=====	=====
Long-lived assets:			
United States	\$ 70,924	\$ 63,467	\$ 67,224
Canada	2,772	2,969	4,942
Other Foreign	15,634	20,168	15,692
	-----	-----	-----
Total long-lived assets	\$ 89,330	\$ 86,604	\$ 87,858
	=====	=====	=====

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16. SUBSEQUENT EVENTS:

Kinsel Settlement

The Company made various claims against the former shareholders of Kinsel, arising out of the February 2001 acquisition of Kinsel and Tracks. Those claims were settled in March 2003 without litigation. Under the terms of the settlement, 18,891 shares of Company common stock and all of the promissory notes, totaling \$5,350,000 in principal (together with all accrued and unpaid interest), issued to former Kinsel shareholders in connection with the acquisition, are to be returned to the Company from the claim collateral escrow account established at the time of the acquisition. The remaining 56,672 shares of Company common stock held in the escrow account are to be distributed to the former Kinsel shareholders. The settlement of the escrow account primarily relates to matters associated with Kinsel operations which have been sold and are presented as discontinued operations.

As a result of this settlement, the Company expects to record income, net of taxes, of approximately \$1.9 million in the first quarter of 2003, the substantial portion of which will be reflected in discontinued operations.

EIG Claim

In January 2003, the Company received notice of multiple claims, totaling more than \$3.5 million, from the buyer of the former Kinsel wastewater treatment division. The claims arise out of the February 2002 sale of the Kinsel wastewater treatment division and allege the valuation of the assets sold was overstated. No litigation has been commenced.

Credit Facility

Effective March 27, 2003, the Company entered into a new three-year bank revolving credit facility to replace its expiring bank credit facility. This new facility provides the Company with borrowing capacity of up to \$75 million. The quarterly commitment fee ranges from 0.2% to 0.3% per annum on the unborrowed balance depending on the leverage ratio determined as of the last day of the Company's preceding fiscal quarter. At the Company's option, the interest rates will be either (i) the LIBOR plus an additional percentage that varies from 0.75% to 1.5% depending on the leverage ratio or (ii) the higher of (a) the prime rate or (b) the federal funds rate plus 0.50%. As of March 27, 2003, the interest rate on the credit facility was 4.25% and the balance was \$40.0 million.

Senior Notes

The Company expects to place additional unsecured senior notes in the maximum

principal amount of \$65 million with certain institutional investors through a private offering made by the Company during the second quarter of 2003.

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

(In thousands, except per share data)

	1st	2nd	3rd	4th
	-----	-----	-----	-----
Year ended December 31, 2002:				
Revenues	\$111,176	\$118,488	\$125,523	\$125,171
Operating income	11,216	14,256	9,081	15,630
Income from continuing operations	5,905	8,238	5,665	8,752
Loss from discontinued operations	(1,602)	(927)	(788)	(2,552)

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	1st	2nd	3rd	4th
	-----	-----	-----	-----
Net income	4,303	7,311	4,877	6,200
Basic earnings per share:				
Income from continuing operations	\$ 0.22	\$ 0.31	\$ 0.21	\$ 0.33
Loss from discontinued operations	(0.06)	(0.03)	(0.03)	(0.10)
Net income	\$ 0.16	\$ 0.28	\$ 0.18	\$ 0.23
Diluted earnings per share:				
Income from continuing operations	\$ 0.22	\$ 0.31	\$ 0.21	\$ 0.33
Loss from discontinued operations	(0.06)	(0.03)	(0.03)	(0.10)
Net income	\$ 0.16	\$ 0.27	\$ 0.18	\$ 0.23
Year ended December 31, 2001:				
Revenues	\$ 98,850	\$118,071	\$112,310	\$116,079
Operating income	9,359	19,779	7,804	9,823
Income from continuing operations	4,542	11,081	3,895	5,422
Income (loss) from discontinued operations	84	356	106	(618)
Net income	4,626	11,437	4,001	4,804
Basic earnings per share:				
Income from continuing operations	\$ 0.18	\$ 0.41	\$ 0.15	\$ 0.20
Income (loss) from discontinued operations	-	0.01	-	(0.02)
Net income	\$ 0.18	\$ 0.43	\$ 0.15	\$ 0.18
Diluted earnings per share:				
Income from continuing operations	\$ 0.17	\$ 0.40	\$ 0.14	\$ 0.20
Income (loss) from discontinued operations	-	0.01	-	(0.02)
Net income	\$ 0.18	\$ 0.42	\$ 0.15	\$ 0.18

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INDEX TO EXHIBITS (1,2)

- 2 Agreement and Plan of Merger dated January 13, 2001 by and among the Company, K Acquisition Corp. and TRX Acquisition Corp., Kinsel Industries, Inc. and Tracks of Texas, Inc. and the Kinsel/Tracks Shareholders (incorporated by reference to Exhibit 2 to the Current Report on Form 8-K dated February 28, 2001 and filed March 14, 2001).
- 3.1 Restated Certificate of Incorporation, as amended, of the Company (incorporated by reference to Exhibit 3.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2000), and Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the annual

report on Form 10-K for the year ended December 31, 2001).

- 3.2 By-Laws of the Company, as amended through October 25, 2000 (incorporated by reference to Exhibit 3.2 to the annual report on Form 10-K for the year ended December 31, 2000), as further amended as of March 14, 2003.
- 4 Rights Agreement dated as of February 26, 2002 between Insituform Technologies, Inc. and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A dated March 8, 2002).
- 10.1 Credit Agreement dated as of March 27, 2003 among the Company, Bank of America, N.A. as Administrative Agent, and Letter of Credit Issuing Lender and the other Financial Institutions party thereto.
- 10.2 Note Purchase Agreements (the "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), as amended by First Amendment to the Note Purchase Agreements dated as of August 20, 1997 (incorporated by reference to Exhibit 10(a) to the quarterly report on Form 10-Q for the quarter ended September 30, 1997), as further amended by Second Amendment dated as of March 30, 2000 to Note Purchase Agreements (incorporated by reference to Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended March 31, 2000), as further amended by Third Amendment dated as of February 28, 2003 to Note Purchase Agreements.
- 10.3 Master Guaranty dated as of March 27, 2003 by the Company and those subsidiaries of the Company named therein.
- 10.4 Amended and Restated Intercreditor Agreement dated as of March 30, 2000 among Bank of America, N.A. and the Noteholders (incorporated by reference to Exhibit 10.4 to the quarterly report on Form 10-Q for the quarter ended March 31, 2000).
- 10.5 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), as amended by Amendment dated March 14, 2003. (1)
- 10.6 Note Modification Allonge executed on July 17, 2002 relating to Promissory Note (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2002). (1)
- 10.7 Promissory Note dated September 24, 1997 made by Anthony W. Hooper in favor of the Company (incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended June 30, 2002). (1)
- 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), as amended by Amendment No. 1 dated as of October 25, 1998 to Employment Agreement (incorporated by reference to Exhibit 10.9 to the annual report on Form 10-K for the year ended December 31, 1998), and as amended by Amendment No. 2 dated as of December 31, 1999 to Employment Agreement, and as amended by Amendment No. 3 dated as of December 31, 2000 to Employment Agreement (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended March 31, 2001), and as amended by Amendment No. 4 dated as of December 31, 2001 to Employment Agreement (incorporated by reference to Exhibit 10.6 to the annual report on Form 10-K for the year ended December 31, 2001), and as amended by Amendment No. 5 dated as of December 31, 2002 to Employment Agreement. (3)
- 10.9 Letter agreement dated as of February 9, 1999 between the Company and Thomas N. Kalishman (incorporated by reference to Exhibit 10.10 to the annual report on Form 10-K for the year ended December 31, 1998). (3)
- 10.10 Employment Agreement dated February 1, 2001 between Insituform Europe and Antoine Menard. (incorporated by reference to Exhibit 10.10 to the annual report on Form 10-K for the year ended December 31, 2000). (3)

- 10.11 Equipment Lease for 125 Ton American Crane [1] dated as of July 1, 2001 between A-Y-K-E Partnership and Affholder, Inc. (incorporated by reference to Exhibit 10.9 to the annual report on Form 10-K for the year ended December 31, 2001).
- 10.12 Equipment Lease for 90 Ton Link Belt Crane dated as of January 1, 2002 between A-Y-K-E Partnership and Affholder, Inc. (incorporated by reference to Exhibit 10.10 to the annual report on Form 10-K for the year ended December 31, 2001).
- 10.13 Equipment Lease for 125 Ton American Crane [2] dated as of January 1, 2002 between A-Y-K-E Partnership and Affholder, Inc. (incorporated by reference to Exhibit 10.11 to the annual report on Form 10-K for the year ended December 31, 2001).
- 10.14 Equipment Lease for 110 Ton American Crane dated as of January 1, 2002 between A-Y-K-E Partnership and Affholder, Inc. (incorporated by reference to Exhibit 10.12 to the annual report on Form 10-K for the year ended December 31, 2001).
- 10.15 Equipment Lease for Lovat M-142 Tunnel Boring Machine, Series No. 6100 dated as of July 1, 2002 between A-Y-K-E Partnership and Affholder, Inc.
- 10.16 1992 Employee Stock Option Plan of the Company (incorporated by reference to Exhibit 10.11 to the annual report on Form 10-K for the year ended December 31, 1999). (3)
- 10.17 1992 Director Stock Option Plan of the Company (incorporated by reference to Exhibit 10.12 to the annual report on Form 10-K for the year ended December 31, 1999). (3)
- 10.18 2001 Employee Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 No. 33-66714). (3)
- 10.19 2001 Non-Employee Director Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 No. 33-66712). (3)
- 10.20 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended June 30, 2001). (3)
- 10.21 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)
- 10.22 Senior Management Voluntary Deferred Compensation Plan of the Company (incorporated by reference to Exhibit 10.19 to the annual report on Form 10-K for the year ended December 31, 1998), as amended by First Amendment thereto dated as of October 25, 2000. (3)
- 10.23 Form of Directors' Indemnification Agreement (incorporated by reference to Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended June 30, 2002). (3)
- 21 Subsidiaries of the Company.
- 23 Consent of PricewaterhouseCoopers LLP.
- 24 Power of Attorney (See "Power of Attorney" in the annual report on Form 10-K).
- 99.1 Certification of Anthony W. Hooper pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of Joseph A. White pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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 229.601, 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.

BY-LAWS

OF

INSITUFORM TECHNOLOGIES, INC.  
(as amended through March 14, 2003)

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 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 Chief Executive Officer or by the Board, and shall be called by the Chief Executive Officer at the request of the holders of not less than fifty percent of all the outstanding shares of the Corporation entitled to vote at the meeting.

3. PLACE OF MEETING.

The Board may designate any place, either within or outside the State unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting called by the Board. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place, either within or outside 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 Chief Executive Officer, 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 Board 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 Board 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.

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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.

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

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of meeting (or any supplement thereto). In addition, 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 of the Board 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.

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, 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, 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

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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 at the date of these By-laws shall consist of

nine (9) directors; provided, such number of directors may be increased or decreased from time to time exclusively pursuant to a resolution adopted by a majority of all directors then serving.

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3. REGULAR MEETINGS.

The Board may provide, by resolution, the time and place for the holding of regular meetings without other notice than such resolution.

4. SPECIAL MEETINGS.

Special meetings of the Board may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President or any two directors. The person or persons authorized to call special meetings of the Board may fix the place either within or outside the State, for holding any special meeting of the Board called by such person or persons.

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 such director's residence or business address (or as otherwise requested by a director). 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 Board 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 Board.

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 Board in accordance with the Corporation's Certificate of Incorporation.

9. REMOVAL OF DIRECTORS.

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

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10. RESIGNATION.

A director may resign at any time by giving written notice to the Board, the Chairman of the Board, the Chief Executive Officer 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.

12. PRESUMPTION OF ASSENT.

A director of the Corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent shall be entered in the minutes of the meeting or unless such director shall file such director's 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. NOTICE AND APPROVAL OF CERTAIN ACTIONS

Notwithstanding any other provision of these By-laws: (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 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 Board 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.

ARTICLE IV - OFFICERS

1. NUMBER.

The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents and a Secretary, each of whom shall be elected by the Board. The Board may also elect a Vice Chairman of the Board. The Chief Executive Officer may also hold the position of Chairman of the Board and/or President. Vice Presidents may be given distinctive designations such as Executive Vice President, Group Vice President, Senior Vice President or any similar designation. The Board may elect or appoint such other officers (including a Treasurer), assistant officers and agents as it may deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as may be determined from time to time by the Board. In connection with the election of any officer of the Corporation, the Board may determine that such officer, in addition to the title of the office to which such officer is elected, shall have a further title as the Board may designate, such as Chief Operating Officer, Chief Financial Officer or General Counsel, and the Board may prescribe powers to be exercised and duties to be performed by any such officer to whom any such additional title of office is given in addition to those powers and duties provided for by these By-laws for such office. In addition, the Chief Executive Officer and/or the President may from time to time appoint such officers of operating divisions, and such contracting and attesting officers, of the Corporation as the Chief Executive Officer and/or President may deem proper, who shall have such

authority, subject to the control of the Board, as the Chief Executive Officer and/or President may from time to time prescribe.

2. ELECTION AND TERM OF OFFICE.

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

3. REMOVAL.

Any officer elected or appointed by the Board, or any officer appointed by the President, may be removed by the Board whenever in its 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 the President's 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.

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4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise of an officer elected or appointed by the Board may be filled by the Board 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. In the absence, death or inability or refusal to act of the Chief Executive Officer, the Chairman shall exercise all of the powers and discharge all of the duties of the Chief Executive Officer.

4B. VICE CHAIRMAN OF THE BOARD.

In the absence, death or inability or refusal to act of the Chairman of the Board, 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.

4C. CHIEF EXECUTIVE OFFICER.

The Chief Executive Officer shall be responsible for the general and active management of the business and affairs of the Corporation, subject only to the control of the Board. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors are carried into effect and shall be responsible to the Board of Directors for the Corporation's strategic development and operational results and for the conduct of the Corporation's business and affairs in accordance with policies approved by the Board of Directors. The Chief Executive Officer shall have full authority in respect to the signing and execution of deeds, bonds, mortgages, contracts and other

instruments of the Corporation; and, in general, to exercise all the powers and authority usually appertaining to the chief executive officer of a Corporation. In the absence, death or inability or refusal to act of the Chairman of the Board and the Vice Chairman of the Board, the Chief Executive Officer (i) shall preside at all meetings of stockholders, (ii) if a member of the Board, shall preside at all meetings of the Board and (iii) shall otherwise exercise all of the powers and discharge all of the duties of the Chairman of the Board. The Chief Executive Officer shall perform such other duties as the Board may prescribe.

5. PRESIDENT.

The President shall be an executive officer of the Corporation. The President shall have equal authority with the Chief Executive Officer to sign and execute deeds, bonds, mortgages,

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contracts and other instruments of the Corporation. The President shall have all powers and shall perform all duties incident to the office of President, and shall have the general authority 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 the President's authority or under authority of an officer subordinate to the President. The President shall perform such other duties as from time to time may be assigned to him by the Chief Executive Officer. In the absence, death or inability or refusal to act of the Chairman of the Board, the Vice Chairman and the Chief Executive Officer, the President (i) shall preside at meetings of stockholders, (ii) if a member of the Board, shall preside at meetings of the Board, (iii) shall otherwise exercise all the powers and discharge all of the duties of the Chairman of the Board (if a member of the Board) and of the Chief Executive Officer; and (iv) shall perform such other duties as the Board or the Chief Executive Officer shall prescribe.

6. VICE PRESIDENT.

In the absence, death or inability or refusal to act of the President, one of the Vice Presidents designated by the Board or the Chief Executive Officer 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 Presidents shall perform such other duties as from time to time may be assigned to them by the Board, the Chief Executive Officer or the President. If the Board gives any Vice President a distinctive designation, such as Executive Vice President, or an additional titled, the Board may also establish the reporting responsibility of such Vice President directly to the Chief Executive Officer.

7. SECRETARY.

The Secretary shall keep the minutes of the stockholders' and of the Board's 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 the Secretary by the Board or the Chief Executive Officer.

8. TREASURER.

If elected by the Board, the Treasurer 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 the Treasurer by the Board or the Chief Executive Officer. If required by the Board, the Treasurer shall give a bond for the faithful discharge of the Treasurer's duties in such sum and with such surety or sureties as the Board shall determine.

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9. SALARIES.

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

ARTICLE V - CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. CONTRACTS.

The Board 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 Chief Executive Officer and/or the President may authorize any contracting officer appointed by the Chief Executive Officer and/or the President pursuant to Section 1 of Article IV to enter into any 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 Board. 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 Board.

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 depositories as the Board 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 Board. Such certificates shall be signed by any of the Chairman of the Board, Chief Executive Officer or the President, as authorized by the Board and the Secretary, or such other officers authorized by law and by the Board. 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

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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 Board 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 Board 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 Board 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 Certificate 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 stockholders' meeting or at any special stockholders' meeting, may repeal, alter or amend By-laws adopted by the Board of

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.





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 Credit Agreement

Dated as of March 27, 2003

among

Insituform Technologies, Inc.,

Bank of America, N.A.  
 as Administrative Agent,  
 and

Letter of Credit Issuing Lender

and

The Other Financial  
 Institutions Party Hereto

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#### CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of March 27, 2003 by and among INSITUFORM TECHNOLOGIES, INC., a Delaware corporation ("Company" or "Borrower"), each lender from time to time party hereto (collectively, "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent and Issuing Lender.

#### RECITAL

Lenders and Issuing Lender have agreed to make available a revolving multicurrency credit facility to Company which Company may from time to time designate, upon the terms and conditions set forth in this Agreement.

In consideration of the mutual covenants and agreements hereto contained, the parties hereto covenant and agree as follows:

#### SECTION 1. DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquiring Person" means a "person" or "group of persons" within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended.

"Administrative Agent" means Bank of America, N.A., in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as Administrative Agent hereafter may designate by written notice to Company and Lenders.

"Administrative Agent-Related Persons" means Administrative Agent (including any successor agent), together with its Affiliates (including, in the case of Bank of America in its capacity as Administrative Agent), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Affiliate" means, with respect to any Person (a) any other Person who is a partner, director or executive officer of such Person; and (b) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person, and any partner, director or executive officer of such other Person. For purposes of this Agreement, control of a Person by another Person shall be deemed to exist if such other Person has the power, directly or indirectly, either to (i) vote twenty percent (20%) or more of the securities having the power to vote in an election of directors of such Person, or (ii) direct the management of such Person, whether by contract or otherwise and whether alone or in combination with others.

"Agreement" means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

"Applicable Amount" means the following amounts per annum, based upon the Leverage Ratio calculated in accordance with Section 7.15(c) and as set forth in the most recent Compliance Certificate received by Administrative Agent pursuant to Section 6.02(c); provided, however, that, until Administrative Agent receives the Compliance Certificate for the fiscal quarter ending March 31, 2003, such amounts shall be those indicated on the Compliance Certificate for the fiscal year ending December 31, 2002 (but such pricing level on the basis of such Certificate shall in no event be lower than 3):

APPLICABLE AMOUNT (IN BASIS POINTS PER ANNUM)

PRICING LEVEL	LEVERAGE RATIO	COMMITMENT FEE	OFFSHORE RATE LOANS	STANDBY LETTERS OF CREDIT	BASE RATE LOANS
1	<1.00:1	20.00	75.00	75.00	00
2	<1.50:1 but > than = to 1.00:1	20.00	100.00	100.00	00
3	<2.00:1 but > than = to 1.50:1	25.00	125.00	125.00	00
4	> than = to 2.00:1	30.00	150.00	150.00	00

Offshore Rate Loans and Base Rate Loans shall bear interest at a per annum rate equal to (a) the Offshore Rate and Base Rate determined in accordance with Section 2.02 plus (b) the Applicable Amount set forth above opposite the Leverage Ratio then applicable in accordance with the next sentence (subject to the provisions of the first sentence of this definition). The Applicable Amount shall be in effect from the date the most recent Compliance Certificate is received by Administrative Agent to but excluding the date the next Compliance Certificate is received; provided, however, that if Company fails to timely deliver the Compliance Certificate next due, the Applicable Amount from the date such Compliance Certificate was due to but excluding the date such Compliance Certificate is received by Administrative Agent shall be that indicated for the highest pricing level set forth above (i.e., Level 4), and, thereafter, the pricing level indicated by such Compliance Certificate when received.

"Applicable Payment Date" means, (a) as to any Offshore Rate Loan, the last day of the relevant Interest Period, any date that such Loan is prepaid or converted in whole or in part and the Maturity Date; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds three months, interest shall also be paid on the date which falls every three months after the beginning of such Interest Period; and (b) as to any Base Rate Loan and any other Obligations, the last Business Day of each calendar quarter and the Maturity Date; provided, further, that interest accruing at the Default Rate shall be payable from time to time upon demand of Administrative Agent.

"Applicable Time" means St. Louis, Missouri time.

"Assignment and Acceptance" means an Assignment and Acceptance substantially in the form of Exhibit F.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel and the reasonable allocated cost of internal legal services and all disbursements of internal counsel.

"Bank of America" means Bank of America, N.A.

"Base Rate" means a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." Such rate is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan which bears interest based on the Base Rate.

"Borrower" means the Company.

"Borrower Party" means Company and each Guarantor.

"Borrowing" and "Borrow" each mean a borrowing of Loans hereunder.

"Borrowing Date" means the date that a Loan is made, which shall be a Business Day.

"Borrowing" and "Borrow" each mean a borrowing of Loans hereunder.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or the local lending office of Administrative Agent set forth in Schedule 10.02 are authorized or required by law to close, and, if the applicable Business Day relates to:

(a) An Obligation denominated in Dollars, any such day on which dealings are carried on in the applicable offshore Dollar market;

(b) An Obligation denominated in the euro, any such day which is:

(i) For payments or purchases of the euro, a TARGET Business Day; and

(ii) For all other purposes, including without limitation the giving and receiving of notices hereunder, a TARGET Business Day on which banks are generally open for business in London and in any other principal financial center as Administrative Agent may from time to time determine for this purpose; and

(c) an Obligation denominated in any other Offshore Currency, a day on which commercial banks are open for foreign exchange business in London, England, and on which dealings in the relevant Offshore Currency are carried on in the applicable offshore

foreign exchange interbank market in which disbursement of or payment in such Offshore Currency will be made or received hereunder.

A "TARGET Business Day" is a day when TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system), or any successor thereto, is scheduled to be open for business.

"Capital Expenditure" means an expenditure for an asset that must be depreciated or amortized under GAAP, for goodwill, or for any asset that under GAAP must be treated as a capital asset, including payments under Capital Leases. An expenditure for purposes of this definition includes any deferred or seller financed portion of the purchase price of an asset and the original capitalized amount of a Capital Lease. Capital Expenditure shall exclude expenditures up to the amount of \$10,000,000 made during any consecutive four (4)-fiscal quarter period by Company or a Domestic Subsidiary for the purchase of tunneling equipment (including expenditures in the way of progress payments made to the manufacturer of the item to the extent such payments are capitalized), provided such item or items of equipment are the subject of a sale and leaseback transaction which removes the item or items of equipment as an asset on the consolidated balance sheet of the Company and its Subsidiaries within twelve (12) months from the later to occur of (a) the date of the acquisition of such item of equipment and (b) the last expenditure made as a progress payment to the manufacturer and before the Company or Subsidiary takes possession of such item.

"Capital Lease" means any lease that has been or should be capitalized under GAAP.

"Change of Control" means the earliest to occur of: (a) the date a tender offer or exchange offer results in an Acquiring Person, directly or indirectly, beneficially owning 50% or more of the Voting Stock of Company then outstanding, or (b) the date an Acquiring Person becomes, directly or indirectly, the beneficial owner of 50% or more of the Voting Stock of Company then outstanding, or (c) the date of a merger or statutory share exchange between Company and any other Person, a consolidation of Company with any other Person or an acquisition of any other Person by Company, if immediately after such event, the Acquiring Person shall hold 50% or more of the Voting Stock of Company outstanding immediately after giving effect to such merger, statutory share exchange, consolidation or acquisition, or (d) the replacement (other than solely by reason of retirement, death or disability) of 50% or more of the

members of the Board of Directors of Company over a one year period from the directors who constituted such Board of Directors at the beginning of such period and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors of Company then still in office who either were members of such Board of Directors at the beginning of such one year period or whose election as members of the Board of Directors was previously so approved.

"Charter Documents" means the articles or certificates of incorporation and bylaws of a corporation; the certificate of limited partnership and partnership agreement of a limited partnership; the partnership agreement of a general partnership; the articles of organization and operating agreement of a limited liability company; or the indenture of a trust, or comparable documents for other entities.

"Closing Date" means the date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 4.01.

"Cobra" means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, for each Lender, the amount set forth opposite such Lender's name on Schedule 2.01, as such amount may be reduced or adjusted from time to time in accordance with the terms of this Agreement (collectively, the "combined Commitments").

"Commonly Controlled Entity" means a Person which is under common control with another Person within the meaning of Section 414(b) or (c) of the Code.

"Company" has the meaning set forth in the introductory paragraph hereto.

"Compliance Certificate" means a certificate in the form of Exhibit B, properly completed and signed by a Responsible Officer of Company.

"Consolidated EBITDA" means, for the period of four fiscal quarters ending on any date of determination for Company and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income From Continuing Operations, (b) Consolidated Interest Expenses, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income From Continuing Operations, (d) the amount of depreciation and amortization expense deducted in determining such Consolidated Net Income From Continuing Operations, (e) losses on the sale or other disposition of assets other than in the ordinary course of business if included in the calculation of Consolidated Net Income From Continuing Operations, (f) non-recurring expenses if included in the calculation of Consolidated Net Income From Continuing Operations, minus (g) gains on the sale or other disposition of assets other than in the ordinary course of business if included in the calculation of Consolidated Net Income From Continuing Operations, (h) gains on the sale or other disposition of assets in the ordinary course of business if included in the calculation of Consolidated Net Income from Continuing Operations to the extent such gains exceed \$2,000,000 in any consecutive four (4)-fiscal quarter period, and (i) non-recurring income if included in the calculation of Consolidated Net Income From Continuing Operations, all as accrued in such period. Administrative Agent reserves the right from time to time to disallow the inclusion of specific items of non-recurring expenses and non-recurring income in (f) and (i) above.

"Consolidated Fixed Charges" for any period means on a consolidated basis (in each case, eliminating all offsetting debits and credits between Company and its Subsidiaries and all other items to be eliminated in the course of the preparation of consolidated financial statements of Company and its Subsidiaries in accordance with GAAP), without duplication, the sum of (a) all Rentals (other than Rentals on Capital Leases) payable during such period by Company and its Subsidiaries, (b) all Consolidated Interest Expenses, (c) all scheduled payments of principal of Consolidated Funded Indebtedness (excluding the payment on the Closing Date of (i) the principal outstanding under the

Multicurrency Credit Agreement referenced in Section 10.26 hereof, and (ii) of the Loans at the Maturity Date and including the principal component due on Capital Leases), it being understood that scheduled payments of principal of Consolidated Funded Indebtedness shall not include voluntary prepayments or mandatory prepayments required pursuant to Section 2.04, and (d) any cash dividends paid.

"Consolidated Funded Indebtedness" means, as of any date of determination, without duplication, for Company and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations and liabilities, whether current or long-term, for borrowed money (including the principal amount of Indebtedness hereunder), (b) liabilities in respect of standby letters of credit and letters of credit or instruments serving a similar function issued or accepted for its account by banks, insurance companies and financial institutions supporting obligations owing to unrelated third parties (valued (i) in the case of letters of credit supporting financial obligations, at the face amount of such letters of credit and (ii) in the case of other letters of credit, at the amount drawn on such letters of credit at such time and not reimbursed), (c) that unamortized portion of obligations with respect to Capital Leases that are capitalized in the consolidated balance sheet of Company and its Subsidiaries, and (d) all Restricted Guaranty Obligations with respect to Indebtedness of the type specified in subsections (a) and (c) above of Persons other than Company or any Subsidiary.

"Consolidated Interest Expenses" means, for any period, without duplication, for Company and its Subsidiaries on a consolidated basis, the sum of all (a) interest (including capitalized interest and the interest component on Rentals on Capital Leases) and all amortization of debt discount and expense on any particular Indebtedness (including payment-in-kind, zero coupon and other like securities) for which such calculations are being made, (b) expenses, fees and commissions for letters of credit and bankers' acceptances and (c) the net interest cost of Swaps.

"Consolidated Net Income" means, for any period, for Company and its Subsidiaries on a consolidated basis, the net income of Company and its Subsidiaries.

"Consolidated Net Income From Continuing Operations" means, for any period, for Company and its Subsidiaries on a consolidated basis, the net income of Company and its Subsidiaries from their respective continuing operations.

"Consolidated Tangible Net Worth" means, as of any date of determination, without duplication, and on a consolidated basis for the Company and its Subsidiaries, the value of total assets (including leaseholds and leasehold improvements and reserves against assets but excluding goodwill, patents, trademarks, trade names, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles), less total liabilities, including but not limited to accrued and deferred income taxes, all determined in accordance with GAAP.

"Consolidated Total Assets" means, as of any date of determination, without duplication, total assets of the Company and its Subsidiaries determined on a consolidated basis.

"Consolidated Total Indebtedness" means, as of any date of determination, without duplication, all Indebtedness of Company and its Subsidiaries after eliminating all offsetting debits and credits between Company and its Subsidiaries and all other items to be eliminated in the course of the preparation of consolidated financial statements of Company and its Subsidiaries in accordance with GAAP.

"Continuation" and "Continue" mean, with respect to any Offshore Rate Loan, the continuation of such Offshore Rate Loan as an Offshore Rate Loan on the last day of the Interest Period for such Loan.



"Contract" means any contract, note, bond, indenture, deed, mortgage, deed of trust, security agreement, pledge, hypothecation agreement, assignment, or other agreements or undertaking, or any security.

"Conversion" and "Convert" means, with respect to any Loan, the conversion of such Loan from or into another type of Loan.

"Covered Person" means Company and each of its presently existing or future acquired, organized or created Subsidiaries separately. The words "Covered Persons" refer to the Company and its presently existing or future acquired, organized or created Subsidiaries collectively.

"Currency Calculation Date" means, with respect to any (a) Borrowing, Conversion, Continuation or payment of Offshore Currency Loans, the date of such Borrowing, Conversion, Continuation, or payment, as applicable, and (b) outstanding Offshore Currency Loans, any Applicable Payment Date relevant thereto, the last Business Day of each month or any additional and more frequent dates as Administrative Agent may, in its sole discretion or at the direction of the Requisite Lenders, select from time to time.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect affecting the rights of creditors generally.

"Default" means any of the events listed in Section 8.01, without giving effect to any requirement for the giving of notice, for the lapse of time, or both, or for the happening of any other condition, event or act.

"Default Rate" means an interest rate equal to the Base Rate plus 2% per annum; provided, however, that with respect to Offshore Rate Loans, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Amount) otherwise applicable to such Offshore Rate Loans plus 2% per annum, in each case to the fullest extent permitted by applicable Laws.

"Designated Deposit Account" means a deposit account maintained by Company with Bank of America, as from time to time designated by Company to Administrative Agent by Requisite Notice.

"DOL" means the United States Department of Labor.

"Dollar" and \$ means lawful money of the United States of America.

"Domestic Subsidiary" means any Subsidiary of Company organized under the laws of the United States or a state of the United States existing on the Closing Date or created or acquired after the Closing Date.

"Eligible Assignee" means (a) a financial institution organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such

country, and having a combined capital and surplus of at least \$100,000,000, provided that such bank is acting through a branch or agency located in the United States; (c) a Person that is primarily engaged in the business of commercial banking and that is (i) a Subsidiary of a Lender; (ii) a Subsidiary of a Person of which a Lender is a Subsidiary, or (iii) a Person of which a Lender is a Subsidiary; (d) another Lender; (e) any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended) which extends credit or buys loans as one of its businesses, including but not limited to, insurance companies, mutual funds and lease financing companies; or (f) other lenders or institutional investors consented to in writing in advance by Administrative Agent and Company. No Borrower Party or any Affiliate of a Borrower Party shall be an Eligible Assignee.

"EMU Legislation" means (a) the Treaty on European Union (the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Maastricht Treaty (which was signed at Maastricht on February 1, 1992 and came

into force on November 1, 1993)), and (b) legislative measures of the European Council (including without limitation European Council regulations) for the introduction of, changeover to or operation of the euro, in each case as amended or supplemented from time to time.

"Environmental Law" means the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Clear Air Act, or any other Law pertaining to environmental quality or remediation of Hazardous Material.

"Equivalent Amount" means, as of any Currency Calculation Date, the amount determined by reference to the following table:

IF THE NOTIONAL AMOUNT IS DENOMINATED IN:	THE EQUIVALENT AMOUNT IN DOLLARS IS:	THE EQUIVALENT AMOUNT IN ANOTHER OFFSHORE CURRENCY IS:
Dollars	Such amount	The amount of such Offshore Currency that can be purchased with Dollars at the Spot Rate for delivery on Currency Calculation Date
An Offshore Currency	The amount of Dollars that can be purchased with such Offshore Currency at the Spot Rate for delivery on Currency Calculation Date	Such amount

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means as to any Person, any trade or business (irrespective of whether incorporated) which is a member of a group of which such Person is a member and thereafter treated as a single employer under Section 414(b), (c), (m) or (o) of the Code or applicable Treasury Regulations.

"euro" means the single currency of Participating Member States.

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Offshore Rate for each outstanding Offshore Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

The determination of the Eurodollar Reserve Percentage and the Offshore Base Rate by Administrative Agent in good faith shall be conclusive in the absence of manifest error.

"Event of Default" means any of the events listed in Section 8.01 as to which any requirement for the giving of notice, for the lapse of time, or both, or for the happening of any further condition, event or act has been satisfied.

"Existing Credit Facility" means that certain Loan Agreement dated as of March 30, 2000, as amended, between Company and Bank of America.

"Extension of Credit" means (a) the Borrowing, Conversion or Continuation of any Loans, or (b) a Letter of Credit Action wherein a new Letter of Credit is issued or which has the effect of increasing the amount of, extending the maturity of, or making a material modification to an outstanding Letter of Credit or the reimbursement of drawings thereunder (collectively the "Extension of Credit").

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates

on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Bank of America on such day on such transactions as determined by Administrative Agent.

"Fee Letter" means the letter agreement of even date with this Agreement between Company and Administrative Agent.

"Final Payment" means payment in full of the Loans, all unpaid interest accrued thereon and all commitments fees, accompanied by the cancellation or termination of all Commitments and expiration of all undrawn outstanding Letters of Credit for which Company has not provided a back-to-back letter of credit in favor of Issuing Lender in form and substance reasonably satisfactory to Issuing Lender covering all Letter of Credit Usage with respect thereto issued by a financial institution (a) whose long-term senior unsecured indebtedness is rated at least A by Standard & Poor's Rating Services, a division of the The McGraw-Hill Companies, Inc., at least A2 by Moody's

Investors Service, Inc., or an equivalent rating by any other credit rating agency of recognized national standing, and (b) which would qualify as an Eligible Assignee.

"Financial Statements" means the most recent of the Initial Financial Statements and the financial statements of the Company that are furnished to Administrative Agent as required in Section 6.01; provided, however, that for purposes of calculating any amount or financial ratio hereunder as of a date or for a period not entirely covered by the most recent and prior such financial statements furnished to Administrative Agent, the term "Financial Statements" shall be deemed to include the financial statements of the Company that cover such periods as have been filed by the Company with the Securities and Exchange Commission.

"FRB" means the Board of Governors of the Federal Reserve System and any successor thereto or to the functions thereof.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Company or Requisite Lenders shall so request, Administrative Agent, Lenders and Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of Requisite Lenders), provided that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Company shall provide to Administrative Agent and Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

"Governmental Authority" means the federal government of the United States; the government of any foreign country that is recognized by the United States or is a member of the United Nations; any state of the United States; any local government or municipality within the territory or under the jurisdiction of any of the foregoing; any department, agency, division, or instrumentality of any of the foregoing; and any court, arbitrator, or board of arbitrators whose orders or judgments are enforceable by or within the territory of any of the foregoing.

"Guarantor" means each Domestic Subsidiary of Company, except Mississippi Textiles Corporation and Insituform (Netherlands) B.V., Inc., and any other Person executing a Guaranty of the Obligations (collectively, the

"Guarantors").

"Guaranty" means, with respect to any Person, without duplication, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing (including, without limitation, having recourse obligations for the Guaranties of another Person) any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

- (a) to purchase such Indebtedness or obligation or any property constituting security therefor;
- (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;
- (c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or
- (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Guaranty Obligation" means as to any Person, (a) any guaranty by such Person of any obligation of another Person; (b) any Security Interest in any property of such Person that secures any obligation of another Person; (c) any enforceable contractual requirement that such Person (i) purchase an obligation of another Person or any property that is security for such obligation, (ii) advance or contribute funds to another Person for the payment of an obligation of such other Person or to maintain the working capital, net worth or solvency of such other Person as required in any documents evidencing an obligation of such other Person, (iii) purchase property, securities or services from another Person for the purpose of assuring the beneficiary of any obligation of such other Person that such other Person has the ability to timely pay or discharge such obligation, (iv) grant a Security Interest in any property of such Person to secure any obligation of another person, or (v) otherwise assure or hold harmless the beneficiary of any obligation of another Person against loss in respect thereof; and (d) any other contractual requirement enforceable against such Person that has the same substantive effect as any of the foregoing. The term "Guaranty Obligation" does not, however, include the endorsement by a Person of instruments for deposit or collection in the ordinary course of business or the liability of a general partner or a partnership for obligations of such partnership. The amount of any Guaranty Obligation of a Person shall be deemed to be the stated or determinable amount of the obligation in respect of which such Guaranty Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Hazardous Material" means any hazardous, radioactive, toxic, solid or special waste, material substance or constituent thereof, or any other such substance (as defined under any applicable law or regulation), including Asbestos or asbestos containing hazardous constituents which are not considered to be waste under the applicable Environmental Law or which are considered to be waste but are transported, handled or disposed of in accordance with the applicable Environmental Law or which are considered to be waste but are transported, handled or disposed of in accordance with the applicable Environmental Law, or asbestos or asbestos containing material which is not friable.

"Indebtedness" means, with respect to any Person, at any time, without duplication;

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of all Capital Leases;

(d) all liabilities for borrowed money secured by any other Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letter of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions valued (i) in the case of letters of credit supporting obligations for borrowed money, at the face amount of such letters of credit and (ii) in the case of other letters of credit, at the amount drawn on such letters of credit at such time and not reimbursed;

(f) obligations of such Person under Swaps; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP, but shall not include Unfunded Pension Liabilities of any Plan of Company and its Subsidiaries.

"Indemnified Liabilities" has the meaning set forth in Section 9.12.

"Indemnitees" has the meaning set forth in Section 9.12.

"Initial Financial Statements" means the financial statements of Company referred to in Section 5.11.

"Instrument of Joinder" means the Instrument of Joinder substantially in the form of Exhibit E executed and delivered by any Subsidiary of Borrower, as contemplated by Section 4.03 and any amendments or supplements thereto.

"Intercreditor Agreement" means that certain Amended and Restated Intercreditor Agreement dated as of March 30, 2000, by and among Bank of America and the other lenders party thereto, as further amended, supplemented or otherwise modified from time to time.

"Interest Period" means for each Offshore Rate Loan, (a) initially, the period commencing on the date such Offshore Rate Loan is disbursed or Continued or Converted into such Offshore Rate Loan and (b) thereafter, the period commencing on the last day of the preceding Interest Period, and ending, in each case, on the earlier of (i) the scheduled Maturity Date, (ii) one, two, three or six months as requested by a Borrower; provided that:

(x) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(y) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest

Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(z) unless Administrative Agent otherwise consents, there may not be more than four (4) Interest Periods for Offshore Rate Loans in effect at any time.

"Investments" means, without duplication, all investments, in cash or by delivery of property, made directly or indirectly in any property or assets or in any Person, whether by acquisition of shares of capital stock, Indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise.

"IRS" means the United States Internal Revenue Service.

"Issuing Lender" means Bank of America, or any successor issuing lender hereunder.

"Laws" or "Law" means all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorization and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" means each lender from time to time party hereto and, as the context requires, Issuing Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such on Schedule 10.02, or such other office or offices as a Lender may from time to time notify Administrative Agent.

"Letter of Credit" means any letter of credit issued or outstanding hereunder, including, without limitation, the Letters of Credit outstanding on the Closing Date and listed on Schedule 1.01 hereto. A Letter of Credit may be a commercial letter of credit or a standby letter of credit.

"Letter of Credit Action" means the issuance, supplement, amendment, renewal, extension modification or other action relating to a Letter of Credit hereunder.

"Letter of Credit Application" means an application for a Letter of Credit Action from time to time in general use by Issuing Lender.

"Letter of Credit Cash Collateral Account" means a blocked deposit account at Bank of America in which Borrower shall grant a security interest to Issuing Lender as security for Letter of Credit Usage by Borrower and with respect to which Borrower agrees to execute and deliver from time to time, on the date hereafter required, such documentation as Administrative Agent or Issuing Lender may reasonably request to further assure and confirm such security interest.

"Letter of Credit Sublimit" means an amount equal to the lesser of the Commitment and \$30,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Commitment.

"Letter of Credit Usage" means, as at any date of determination, the aggregate undrawn face amount of outstanding Letters of Credit plus the aggregate amount of all drawings under the Letters of Credit not reimbursed by Borrower or converted into Loans.

"Leverage Ratio" means, as of the end of any fiscal quarter, for Company and its Subsidiaries on a consolidated basis, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters ending on such date.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement (in the nature of compensating balances, cash collateral accounts or security interests), encumbrance, lien (statutory or other), charge, or

preference, priority or other security interests or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

"Loan" means any advance made as provided in Section 2.01 (collectively, the Loans").

"Loan Documents" means this Agreement, any Compliance Certificate, the Master Guaranty, the Intercreditor Agreement, any Letter of Credit Application, any Request for Extension of Credit and any Note, certificate, any fee letter, and other instrument, document or agreement from time to time delivered in connection with this Agreement.

"Master Guaranty" means the continuing guaranty of the Obligations to be executed and delivered by the Guarantors, substantially in the form of Exhibit D, and any amendments or supplements thereto.

"Material Adverse Effect" means with respect to any event or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, investigation or proceeding), a material adverse effect on the business, operations, revenues, financial condition or property of Company and its Subsidiaries taken as a whole, without reference to the ability of Company to timely pay or perform Company's obligations generally, or the ability of Company to pay or perform any of the Obligations.

"Material Agreement" means as to any Person, any Contract to which such Person is a part or by which such Person is bound which, if violated or breached, would have a Material Adverse Effect.

"Material Law" means any Law whose violation by a Person would have a Material Adverse Effect.

"Material License" means (a) as to any Person, any license, permit or consent from a Governmental Authority or other Person and any registration and filing with a Governmental Authority or other Person which if not obtained, held or made would have a Material Adverse effect, and (b) as to any Person who is a party to this Agreement or any of the other Loan Documents, any license, permit or consent from a Governmental Authority or other Person and any registration or filing with a Governmental Authority or other Person that is necessary for the execution or performance by such party, or the validity or enforceability against such party, of this Agreement or such other Loan Document.

"Material Obligation" means as to any Person, an obligation of such Person which if not fully and timely paid or performed would have a Material Adverse Effect.

"Material Proceeding" means any litigation, investigation or other proceeding by or before any Governmental Authority (a) which involves any of the Loan Documents or any of the transactions contemplated thereby, or involves a Covered Person as a party or any property of Covered Person, and its reasonably likely to have a Material Adverse Effect, or (b) in which there has been issued an injunction, writ, temporary restraining order or any other order of any nature which purports to restrain or enjoin the making of any Loan, the consummation of any other transaction contemplated by the Loan Documents, or the enforceability of any provision of any of the Loan Documents.

"Maturity Date" means (a) March 31, 2006 or (b) such earlier date upon which the Commitment may be terminated in accordance with the terms of this Agreement.

"Minimum Amount" means, with respect to each of the following actions, the minimum amount and any multiples in excess thereof set forth opposite such action:

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TYPE OF ACTION	MINIMUM AMOUNT	MULTIPLES IN EXCESS THEREOF
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Borrowing or prepayment of, or Conversion into, Base Rate Loans	\$ 500,000	\$ 50,000
Borrowing, prepayment or Continuation of, or Conversion into, Dollar-denominated Offshore Rate Loans	\$ 1,000,000	\$ 100,000
Borrowing, prepayment or Continuation of, or Conversion into, Offshore Currency Loans	Equivalent Amount of \$1,000,000	Equivalent Amount of \$100,000

Letter of Credit Action	None	None
Reduction in Commitment	\$ 1,000,000	\$ 500,000

"Minority Interests" means, without duplication, any shares of stock of any class of a Subsidiary (other than directors' qualifying shares as required by law) that are not owned by Company and/or one or more of its Subsidiaries. Minority Interests shall be valued by valuing Minority Interests constituting preferred stock at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing Minority Interests constituting common stock at the book value of common stock, additional paid-in capital and retained earnings applicable thereto adjusted, if necessary, to reflect any changes from the book value of such common stock required by the foregoing method of valuing Minority Interests in preferred stock.

"Multi-Employer Plan" means a Pension Benefit Plan which is a multi-employer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means a promissory note made by Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C, and a Swing Line Note.

"Note Purchase Agreement-1997" means the Note Purchase Agreement dated as of February 14, 1997, as amended to and including the Closing Date, among Company and other parties signatory thereto under which Company issued certain 7.88% Senior Notes, Series A, due February 14, 2007, of \$110,000,000 aggregate principal amount; provided, however, that, except with respect to Section 8.01(f) of this Agreement (which is a cross default to other Indebtedness, including the Note Purchase Agreement-1997 as in effect from time to time), after the Closing Date no amendments to, or waivers of, the terms, conditions and definitions of the Note Purchase Agreement-1997 referred to or incorporated by reference herein shall be deemed to amend or waive such terms, conditions and definitions for purposes of this Agreement unless Requisite Lenders separately agree or consent thereto hereunder. The terms, conditions and definitions referred to or incorporated by reference herein will survive termination, restatement or cancellation of the Note Purchase Agreement-1997 for purposes of this Agreement (other than Section 8.01(f)).

"Note Purchase Agreement-2003" means the Note Purchase Agreement to be entered into among Company and other parties signatory thereto under which Company will issue notes conforming to the parameters described in Section 10.01(b) and consistent with the description set forth on Schedule 5.24; provided, however, that, except with respect to Section 8.01(f) of this Agreement (which is a cross default to other Indebtedness, including the Note Purchase Agreement-2003 as in effect from time to time), after the Closing Date no amendments to, or waivers of, the terms, conditions and definitions of the Note Purchase Agreement-2003 referred to or incorporated by reference herein shall be deemed to amend or waive such terms, conditions and definitions for purposes of this Agreement unless Requisite Lenders separately agree or consent thereto hereunder. The terms, conditions and definitions referred to or incorporated by reference herein will survive termination, restatement or cancellation of the Note Purchase Agreement for purposes of this Agreement



(other than Section 8.01(f)).

"Obligations" means all advances to, and debts, liabilities (contractual or tortious), obligations, covenants and duties of, any Borrower Party arising under any Loan Document and Swaps entered into with a Lender, whether direct or indirect (including those acquired by

assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement of any proceeding under any Debtor Relief Laws by or against any Borrower Party or any Subsidiary or Affiliate of any Borrower Party.

"Offshore Currency" means British Pounds Sterling, the euro, and any additional currency permitted in accordance with Section 2.02(f).

"Offshore Currency Loan" means any Offshore Rate Loan denominated in an Offshore Currency.

"Offshore Base Rate" has the meaning set forth in the definition of Offshore Rate.

"Offshore Rate" means, for any Interest Period, with respect to Offshore Rate Loans comprising part of the same Borrowing, the per annum rate of interest (rounded upward to the next 1/100th of 1%) determined in good faith by Administrative Agent as follows:

Offshore Rate =  $\frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$  } as defined below.

Where,

"Offshore Base Rate" means, for such Interest Period:

(a) the rate per annum equal to the rate determined by Administrative Agent to be the offered rate that appears on the page of the Telerate Screen that displays an average British Bankers Association Interest Settlement Rate for deposits in the applicable currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined in good faith by Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in the applicable currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined in good faith by Administrative Agent as the rate of interest at which deposits in the applicable currency (for delivery on the first day of such Interest Period) in same day funds in the approximate amount of the applicable Offshore Rate Loans and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

"Offshore Rate Loan" means a Loan bearing interest based on the Offshore Rate, which may be denominated in U.S. Dollars or an Offshore Currency. Offshore Rate Loans include Offshore Currency Loans.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Outstanding Obligations" means, as of any date, and giving effect to making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, the sum of (a) the aggregate outstanding principal amount of all Loans (including Swing Line Loans), and (b) all Letter of Credit Usage.

"Overnight Rate" means, for any day, (a) with respect to payments in Dollars, the Federal Funds Rate and (b) with respect to payments in Offshore Currencies, the rate of interest per annum at which overnight deposits in the applicable Offshore Currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by Bank of America's principal office in London to major banks in the London or other applicable offshore interbank market.

"Participating Member State" means each country which from time to time becomes a Participating Member State as described in EMU Legislation.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Benefit Plan" means any pension or profit-sharing plan which is covered by Title I of ERISA and in respect of which a Person or a Commonly Controlled Entity of such Person is an "employer" as defined in Section 3(5) of ERISA.

"Permitted Acquisition" means any acquisition of stock or other equity interest in a Person, or of all or a material part of the assets of a Person, with respect to which all of the following requirements have been satisfied:

(a) the Person is engaged in a line of business substantially the same as any line of business conducted by Company or any of its Subsidiaries on the Closing Date or reasonably related, or ancillary or complementary, thereto or in furtherance thereof (including, without limitation, any business providing materials or services to Company or any of its Subsidiaries or any business to which Company or any of its Subsidiaries furnishes materials or services);

(b) the acquisition is not hostile from the point of view of such Person;

(c) no Default or Event of Default is (unless waived) continuing;

(d) no Default or Event of Default will occur or is reasonably likely to occur as a consequence of the acquisition;

(e) the acquisition will not involve cash consideration in excess of \$50,000,000;

(f) upon giving effect to the acquisition, (i) the pro forma Leverage Ratio is less than 2:1, and (ii) the pro forma sum of (A) cash and cash equivalents, plus (B) the amount of availability to Borrower for advances of Loans, is not less than \$15,000,000;

(g) the total aggregate consideration (including cash, stock and other non-cash considerations, and assumption of Indebtedness) paid by Company and its Subsidiaries for all acquisitions during any consecutive four (4)-fiscal quarter period does not exceed \$50,000,000; and

(h) the total aggregate consideration (including cash, stock and other non-cash considerations, and assumption of Indebtedness) paid by Company and its Subsidiaries for all acquisitions from the Closing Date to the date of determination does not exceed \$150,000,000.

"Permitted Indebtedness" means:

- (a) Obligations;
- (b) Indebtedness existing as of the date of the Agreement (but not renewals or extensions thereof) all as listed on Schedule 5.24, and the Note Purchase Agreement-2003;
- (c) unsecured trade accounts payable and other normal accruals incurred in the ordinary course of business and which are not more than 120 days past due;
- (d) Rentals under Capital Leases to the extent such Rentals in the aggregate are less than \$1,000,000 in any consecutive four (4)-fiscal quarter period;
- (e) other Indebtedness not otherwise permitted herein in an amount not to exceed \$8,000,000 in the aggregate at any one time outstanding; and
- (f) advances between Subsidiaries and Company and between and among Subsidiaries to the extent not prohibited by Section 7.16.

"Person" means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture, Governmental Authority, or otherwise.

"Plan" means any employee benefit plan maintained or contributed to by a Borrower Party or by any trade or business (whether or not incorporated) under common control with a Borrower Party as defined in Section 401(b) of ERISA and insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA.

"Preferred Stock" means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"Regulation D," "Regulation U" and "Regulation X" means, respectively, Regulation D, Regulation U and Regulation X issued by the FRB.

"Rentals" means and includes, as of any date of determination, without duplication, all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by Company or a Subsidiary, as lessee or sublessee under a lease of real or personal property, all in accordance with GAAP, having an original term of one year or more, but shall be exclusive of any amounts required to be paid by Company or a Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Reportable Event" means a reportable event as defined in Title IV of ERISA or the regulations thereunder.

"Request for Extension of Credit" means, unless otherwise specified herein, (a) a written request substantially in the form of Exhibit A, and (b) with respect to a Letter of Credit Action, a Letter of Credit Application, in each case duly completed and signed by a Responsible Officer of Company and delivered by Requisite Notice.

"Requisite Lenders" means, as of any date of determination: (a) if the Commitments are then in effect, Lenders having in the aggregate two-thirds or more of the combined Commitments then in effect and (b) if the Commitments have then been terminated and there are Outstanding Obligations, Lenders holding Outstanding Obligations aggregating two-thirds or more of such Outstanding Obligations.

"Requisite Notice" means, unless otherwise provided herein, (a) irrevocable written notice to the intended recipient or (b) except with respect to Letter of Credit Action (which must be in writing), irrevocable telephonic notice to the intended recipient, promptly followed by a written notice to such

recipient. Such notices shall be (i) delivered to such recipient at the address or telephone number specified on Schedule 10.02 or as otherwise designated by such recipient by Requisite Notice to Administrative Agent, and (ii) if made by any Borrower Party, given or made by a Responsible Officer of such Borrower Party. Any written notice delivered in connection with any Loan Document shall be in the form, if any, prescribed herein or therein. Any notice sent by other than hardcopy shall be promptly confirmed by a telephone call to the recipient and, if requested by Administrative Agent, by a manually signed hardcopy thereof.

"Requisite Time" means, with respect to any of the actions listed below, the time and date set forth below opposite such action:

TYPE OF ACTION	APPLICABLE TIME	DATE OF ACTION
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Delivery of Request for Extension of Credit for, or notice for:		
- Borrowing or prepayment of, or Conversion into, Base Rate Loan	10:00 a.m.	Same date as such borrowing, prepayment or Conversion
- Borrowing, prepayment or Continuation of, or Conversion	10:00 a.m.	3 Business Days prior to such borrowing, prepayment
into, Dollar-denominated Offshore Rate Loan		Continuation or Conversion
- Borrowing of, prepayment of, Continuation of, or Conversion into offshore Currency Loan	10:00 a.m.	5 Business Days prior to such borrowing or prepayment
- Requests for new Offshore Currencies	10:00 a.m.	10 Business Days prior to proposed Extension of Credit (or such lesser time which is acceptable to Lenders)
- Letter of Credit Action	10:00 a.m.	5 Business Days prior to such action (or such lesser time which is acceptable to Issuing Lender)
- Voluntary reduction in or a termination of Commitment	10:00 a.m.	2 Business Days prior to such reduction or termination
- Payments by Lenders or a Borrower to Administrative Agent	11:00 a.m.	On date payment is due

"Responsible Officer" means, as to any Person that is not an individual, partnership or trust, the Chairman of the Board of Directors, the President, the chief executive officer, the chief operating officer, the chief financial officer, the Treasurer, any Assistant to the Treasurer, or any Vice President in charge of a principal business unit; as to any partnership, any individual who is a general partner thereof or any individual who has general management or administrative authority over all or any principal unit of the partnership's business; and as to any trust, any individual who is a trustee.

"Restricted Guaranty Obligations" means, as to any Person, all of its Guaranty Obligations except (a) Guaranty Obligations undertaken in the ordinary course of business to secure bids or contracts or performance bonds related to work to be performed by Company or any Subsidiary or any joint venture in which Company or any Subsidiary participates; (b) all Guaranty Obligations with respect to trade indebtedness incurred in the ordinary course of business, whether payable directly or by reimbursement in connection with any letter of credit facility; and (c) all Guaranty Obligations with respect to Security

Interests permitted under Section 7.03(a) through (e).

"Restricted Payment" means (a) any cash dividend, (b) any acquisition, redemption or retirement of any outstanding stock, (c) any retirement or prepayment of debt securities before their regularly scheduled maturity dates, (d) any loan or advance that is made to a Person in such Person's capacity as a shareholder, and (e) any "Restricted Payment" as defined in a Note Purchase Agreement.

"Sarbanes-Oxley Act" means the federal Sarbanes-Oxley Act of 2002.

"Security Interest" means as to any item of tangible or intangible property, any interest therein or right with respect thereto that secures an obligation or Guaranty Obligation, whether such interest or right is created under a Contract, or by operation of law or statute (such as but not

limited to a statutory lien for work or materials), or as a result of a judgment, or which arises under any form of preferential or title retention agreement or arrangement (including a conditional sale agreement or a lease) that has substantially the same economic effect as any of the foregoing.

"Spot Rate" for a currency means the rate quoted by Bank of America as the spot rate for the purchase by Bank of America of such currency with another currency through its FX Trading Office at approximately 10:00 a.m. (St. Louis time) on the date two Business Days prior to the Currency Calculation Date.

"Subsequent Participant" means each country that adopts the euro as its lawful currency after January 1, 1999.

"Subsidiary" means, as to any Person, a corporation with respect to which more than 50% of the outstanding shares of stock of each class having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) is at the time owned by such Person or by one or more Subsidiaries of such Person, other than a corporation which has no significant assets and is not actively engaged in a trade or business.

"Swaps" means, with respect to any Person, without duplication, payment obligations with respect to interest rate swaps or options, currency swaps, credit derivative transactions, forward rate transactions, commodity swaps, equity or equity index swaps or options, bond or bond price index swaps or options or forward bond index transactions, or forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency swap transactions, currency options, spot contracts, any transaction subject to the terms of or governed by any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall, unless otherwise expressly set forth herein, be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Swap Termination Value" means, in respect of any one or more Swaps, after taking into account the effect of any legally enforceable netting agreement relating to such Swaps, (a) for any date on or after the date such Swaps have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swaps, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swaps (which may include any Lender).

"Swing Line Commitment" shall mean \$5,000,000.00.

"Swing Line Loan" and "Swing Line Loans" shall have the meanings

ascribed thereto in Section 2.01(d).

"Swing Line Note" shall have the meaning ascribed thereto in Section 2.01(d).

"Total Assets" means the total assets of Company and its Subsidiaries, as shown on a consolidated basis on the most recent annual Financial Statements.

"Type" of Loan means the designation of whether such Loan is a Base Rate Loan or an Offshore Rate Loan.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" means, when used in a geographical sense, all the states of the United States of America and the District of Columbia; and when used in a legal jurisdictional sense, the government of the country that is the United States of America.

"United States Assets" means the identifiable United States assets of Company and its Subsidiaries, as shown on the most recent annual Financial Statements.

"Voting Stock" means capital stock of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the majority of the corporate directors (or Persons performing similar functions), irrespective of whether or not at the time capital stock of any such class or classes shall have or might have special voting power or rights by reason of the occurrence of any contingency.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary, 100% of all the equity shares (except directors' qualifying shares) and voting interests of which are owned by any one or more of Company and Company's other Wholly-Owned Subsidiaries at such time.

"2001 Form 10-K" means Company's Annual Report as Form 10-K for the year ended December 31, 2001, as amended, filed with the Securities and Exchange Commission.

#### 1.02 USE OF CERTAIN TERMS.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(b) As used herein, unless the context requires otherwise, the masculine, feminine and neuter genders and the singular and plural include one another.

(c) The words "herein" and "hereunder" and words of similar import when used in any Loan Document shall refer to the Loan Documents as a whole and not to any particular provision thereof. The term "including" is by way of example and not limitation. References herein to a Section, subsection or clause shall, unless the context otherwise requires, refer to the appropriate Section, subsection or clause in this Agreement.

(d) The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive.

1.03 ACCOUNTING TERMS. Subject to the definition of GAAP herein, all accounting terms not specifically or completely defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner

consistent with that used in preparing the financial statements contained in the 2001 Form 10-K, except as otherwise specifically prescribed herein.

1.04 ROUNDING. Any financial ratios required to be maintained by Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.05 EXHIBITS AND SCHEDULES. All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.06 REFERENCES TO AGREEMENTS AND LAWS. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall include all amendments, restatements, extensions, supplements and other modifications thereto (unless prohibited by any Loan Document), and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.07 CURRENCY EQUIVALENTS GENERALLY. Except for purposes of financial statements delivered by Borrower Parties hereunder or calculating financial covenants hereunder, the applicable amount of any currency for purposes of the Loan Documents shall be the Equivalent Amount thereof determined on each Currency Calculation Date from time to time by Administrative Agent.

SECTION 2.  
THE COMMITMENTS AND EXTENSIONS OF CREDIT

2.01 AMOUNT AND TERMS OF COMMITMENTS.

(a) Subject to the terms and conditions set forth herein, each Lender severally agrees to make, Convert and Continue loans (each such loan, a "Loan") to Borrower in Dollars and Offshore Currencies in such amounts as Borrower may from time to time request on any Business Day during the period from the Closing Date to the Maturity Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on Schedule 2.01 (such amount as the same may be reduced under Section 2.06 or as a result of one or more assignments hereunder, such Lender's "Commitment"); provided, however, that, after giving effect to any Borrowing, all Outstanding Obligations of each Lender shall not exceed such Lender's Commitment and all Outstanding Obligations of all Lenders shall not exceed the combined Commitments. This is a revolving credit

and subject to the foregoing, and the other terms and conditions hereof, Borrower may borrow, Convert, Continue, prepay and reborrow Loans as set forth herein without premium or penalty.

(b) Loans made by each Lender shall be evidenced by one or more Notes. Each such Lender may attach schedules to its Note(s) and endorse thereon the date, amount, applicable currency and maturity of its Loans and payments with respect thereto. Such Notes and records shall be conclusive absent manifest error of the amount of such Loan and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

(c) Not used.

(d) Swing Line Commitment. Subject to the terms and conditions set forth in this Agreement and so long as no Default or Event of Default has occurred and is continuing (provided, however, that Bank of America, N.A. shall have no liability to any other Lender for making a Swing Line Loan to Borrower after the occurrence or during the continuance of any Default or Event of Default unless Bank of America, N.A. has previously received notice in writing from Borrower or any other Lender of the occurrence of such Default or Event of Default), Bank of America, N.A. agrees to make such loans to Borrower (individually, a "Swing Line Loan" and collectively, the "Swing Line Loans") as Borrower may from time to time request pursuant to Section 2.02. Each Swing Line

Loan shall be for an aggregate principal amount of at least \$100,000 or any larger multiple of \$10,000. The aggregate principal amount of Swing Line Loans outstanding under this Agreement as of any date shall not exceed the amount of the Swing Line Commitment; provided, however, that in no event shall all Outstanding Obligations of all Lenders on any given day exceed the combined Commitments. All Swing Line Loans shall be Base Rate Loans and all Swing Line Loans together with all accrued and unpaid interest thereon and all fees and other amounts owing by Borrowers to Bank of America with respect thereto, shall be due and payable on the earlier of (i) the demand of Bank of America, N.A. and (ii) seven (7) days after the date of the extension of the Swing Line Loan. The Swing Line Loans of Bank of America, N.A. to a Borrower shall be evidenced by a Swing Line Note of such Borrower payable to the order of Bank of America, N.A. in a principal amount equal to the amount of the Swing Line Commitment, which Swing Line Note shall be in substantially the form of Exhibit G attached hereto and incorporated herein by reference (with appropriate insertions) (as the same may from time to time be amended, modified extended, renewed or restated, the "Swing Line Note"). The Swing Line Commitment and the making of Swing Line Loans is a discretionary, uncommitted facility and Bank of America may terminate or suspend the Swing Line Commitment at any time in its sole discretion upon notice to Borrower, which notice may be given before or after Borrower requests a Swing Line Loan.

## 2.02 BORROWINGS, CONVERSIONS AND CONTINUATIONS OF LOANS.

(a) Borrower may irrevocably request a Borrowing, Conversion or Continuation of Loans in a Minimum Amount therefor by delivering a Request for Extension of Credit therefor by Requisite Notice to Administrative Agent not later than the Requisite Time therefor. All Borrowings, Conversions and Continuations shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the prior sentence. Loans may only be Converted into or Continued as Loans denominated in the same currency as originally borrowed.

(b) Following receipt of a Request for Extension of Credit, Administrative Agent shall promptly notify each Lender of its Pro Rata Share thereof by Requisite Notice. If any Lender is unable in good faith to fund an Offshore Currency Loan in a requested Offshore Currency, it shall promptly notify Administrative Agent (who shall notify Company and the other Lenders), and such Request for Extension of Credit shall be deemed withdrawn. Administrative Agent shall promptly upon Borrower's request notify the applicable Borrower and Lenders of the interest rate applicable to any Loans proposed by Borrower upon determination of same. In the case of a Borrowing of Loans, each Lender shall make the funds for its Loan available in the currency of such Loan to Administrative Agent at Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified in such Request for Extension of Credit. Upon satisfaction of the applicable conditions set forth in Section 4.02, (and if the initial Extension of Credit hereunder, Section 4.01), all funds so received shall be made available to the Borrower in like funds received.

(c) Administrative Agent shall promptly notify Company and Lenders of the interest rate applicable to any Loan other than a Base Rate Loan upon determination of same in accordance with this Agreement.

(d) Except as otherwise provided herein, an Offshore Rate Loan may be Continued or Converted only on the last day of the Interest Period for such Offshore Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, Converted into or Continued as Offshore Rate Loans without the consent of Requisite Lenders and Requisite Lenders may demand that any or all of the then outstanding Offshore Rate Loans be Converted immediately into Base Rate Loans.

(e) If a Loan is to be made to Borrower on the same date that another Loan in the same currency is due and payable by Borrower, Borrower or Lenders, as the case may be, shall, upon the request of Administrative Agent, make available to Administrative Agent the net amount of funds giving effect to both such Loans and the effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect to each such Loan. In the absence of such a request, separate transfers of funds shall be made with respect to each such Loan.



(f) Borrower may from time to time request Extensions of Credit (other than for Swing Line Loans, all of which shall be made in Dollars) in currencies other than those listed in the definition of Offshore Currency so long as such currency is freely traded in the offshore interbank foreign exchange markets and freely transferable and freely convertible into Dollars. Borrower shall request any such additional currency by Requisite Notice to Administrative Agent (who shall promptly notify each Lender) not later than the Requisite Time therefor. Each Lender shall notify Administrative Agent (who shall promptly notify Company) whether it will, in its sole discretion, make an Extension of Credit in such requested currency. If all Lenders consent to such currency, such currency shall thereafter be deemed for all purposes an Offshore Currency hereunder available for Extensions of Credit.

(g) Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation and without prejudice to (i) the liabilities for indebtedness of each Borrower Party to Lenders under or pursuant to this Agreement or (ii) Lenders' Commitments, any reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency of a Subsequent Participant to be paid to or by Administrative Agent shall immediately, upon it becoming a Subsequent Participant, be replaced by a reference to such reasonably

comparable and convenient amount (or an integral multiple thereof) in the euro unit as Administrative Agent may specify in good faith.

## 2.03 LETTERS OF CREDIT.

(a) THE LETTER OF CREDIT COMMITMENT. Subject to the terms and conditions set forth in this Agreement, until the Maturity Date, Issuing Lender shall take such Letter of Credit Actions denominated in Dollars or Offshore Currencies as Borrower may from time to time request; provided, however, that (i) the Equivalent Amount in Dollars of the Outstanding Obligations of each Lender shall not exceed such Lender's Commitment, (ii) the Equivalent Amount in Dollars of the Outstanding Obligations of all Lenders shall not exceed the combined Commitments at any time, and (iii) all Letter of Credit Usage shall not exceed the Letter of Credit Sublimit at any time. Subject to subsection (f) below and, unless consented to by Issuing Lender and Requisite Lenders, no Letter of Credit (other than Letter of Credit #705264 in the face amount of \$25,000 in favor of City of Chicago, Department of Transportation) may expire more than 12 months after the date of its issuance or last renewal; provided, however, that no Letter of Credit shall expire more than 12 months after the Maturity Date. If any Letter of Credit Usage remains outstanding after the Maturity Date, Borrower shall, not later than such date, deposit cash in an amount equal to such Letter of Credit Usage in a Letter of Credit Cash Collateral Account. Letters of Credit issued and outstanding under the Existing Credit Facility on the Closing Date shall be deemed validly issued and outstanding Letters of Credit with the same terms and maturity under this Agreement as under the Existing Credit Facility.

(b) REQUESTING LETTER OF CREDIT ACTIONS. Borrower may irrevocably request a Letter of Credit Action in a Minimum Amount therefor by delivering a Letter of Credit Application therefor to Issuing Lender, with a copy to Administrative Agent (who shall notify Lenders), by Requisite Notice not later than the Requisite Time therefor. Each Letter of Credit Action shall be in a form acceptable to Issuing Lender in its reasonable discretion. Unless Administrative Agent notifies Issuing Lender that such Letter of Credit Action is not permitted hereunder, or Issuing Lender notifies Administrative Agent that it has determined in good faith that such Letter of Credit Action is contrary to any Laws or policies of Issuing Lender, Issuing Lender shall, upon satisfaction of the applicable conditions set forth in Section 4.02 with respect to any Letter of Credit Action constituting an Extension of Credit, effect such Letter of Credit Action. This Agreement shall control in the event of any conflict with any Letter of Credit Application, including without limitation, any definition of "Default" or "Event of Default" in any such Letter of Credit Application, which shall be deemed superseded by the definitions thereof in this Agreement. Any requirement therein or in any provision of this Agreement to grant a security interest shall be subject to the prohibitions contained in Section 7.03 hereof and in Section 10.5 of the Note Purchase Agreement-1997 and to any equivalent provision in the Note Purchase Agreement-2003. Upon the issuance of a Letter of Credit, each Lender shall be deemed to have purchased from Issuing Lender a risk participation therein in an amount equal to such Lender's Pro Rata Share times the amount of such Letter of Credit.

(c) REIMBURSEMENT OF PAYMENTS UNDER LETTERS OF CREDIT. Borrower shall reimburse Issuing Lender through Administrative Agent for any payment that Issuing Lender makes under a Letter of Credit on or before the date of such payment; provided, however, that if the conditions precedent set forth in Section 4.02 can be satisfied, Borrower may request a Borrowing of Loans to reimburse Issuing Lender for such payment pursuant to Section 2.02, or, failing to make such

request, Borrower shall be deemed to have requested a Borrowing of Base Rate Loans on such payment date pursuant to subsection (e) below.

(d) FUNDING BY LENDERS WHEN ISSUING LENDER NOT REIMBURSED. Upon any drawing under a Letter of Credit, Issuing Lender shall notify Administrative Agent and Company. If Borrower fails to timely make the payment required pursuant to subsection (c) above, Issuing Lender shall notify Administrative Agent of such fact and the amount of such unreimbursed payment. Administrative Agent shall promptly notify each Lender of its Pro Rata Share of such amount by Requisite Notice. Each Lender shall make funds in an amount equal its Pro Rata Share of such amount available to Administrative Agent at Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified by Administrative Agent, and Administrative Agent shall remit the funds so received to Issuing Lender. The obligation of each Lender to so reimburse Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default or Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrower to reimburse Issuing Lender for the amount of any payment not made by Borrower under any Letter of Credit, together with interest as provided herein.

(e) NATURE OF LENDERS' FUNDING. If the conditions precedent set forth in Section 4.02 can be satisfied (except for the giving of a Request for Extension of Credit) on any date Borrower is obligated to, but fails to, reimburse Issuing Lender for a drawing under a Letter of Credit, the funding by Lenders pursuant to the previous subsection shall be deemed to be a Borrowing of Base Rate Loans (without regard to the Minimum Amount therefor) deemed requested by Borrower. If the conditions precedent set forth in Section 4.02 cannot be satisfied on the date Borrower is obligated to, but fails to, reimburse Issuing Lender for a drawing under a Letter of Credit, the funding by Lenders pursuant to the previous subsection shall be deemed to be a funding by each Lender of its risk participation in such Letter of Credit, and each Lender making such funding shall thereupon acquire a pro rata participation, to the extent of its reimbursement, in the claim of Issuing Lender against Borrower in respect of such payment and shall share, in accordance with that pro rata participation, in any payment made by Borrower with respect to such claim. Any amounts made available by a Lender under its risk participation shall be payable by Borrower upon demand of Administrative Agent, and shall bear interest at a rate per annum equal to the Default Rate.

(f) SPECIAL PROVISIONS RELATING TO EVERGREEN LETTERS OF CREDIT. Borrower may request Letters of Credit that have automatic extension or renewal provisions ("evergreen" Letters of Credit) so long as Issuing Lender consents in its sole and absolute discretion thereto and has the right to not permit any such extension or renewal at least annually within a notice period to be agreed upon at the time each such Letter of Credit is issued. Once an evergreen Letter of Credit is issued, unless Administrative Agent has notified Issuing Lender that Requisite Lenders have elected not to permit such extension or renewal, the Borrower Parties, Administrative Agent and Lenders shall be deemed to have authorized (but may not require) Issuing Lender to, in its sole and absolute discretion, permit the renewal of such evergreen Letter of Credit at any time to a date not later than the Maturity Date, and, unless directed by Issuing Lender, Borrower shall not be required to request such extension or renewal. Issuing Lender may, in its sole and absolute discretion, elect not to permit an evergreen Letter of Credit to be extended or renewed at any time.

(g) OBLIGATIONS ABSOLUTE. The obligation of Borrower to pay to Issuing Lender the amount of any payment made by Issuing Lender under any Letter of Credit issued for its account

shall be absolute, unconditional, and irrevocable. Without limiting the foregoing, Borrower's obligation shall not be affected by any of the following

circumstances:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of or any consent to departure from such Letter of Credit, this Agreement, or any other agreement or instrument relating hereto or thereto;

(iii) the existence of any claim, setoff, defense, or other rights which Borrower may have at any time against Issuing Lender, Administrative Agent or any Lender, any beneficiary of such Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;

(iv) any demand, statement, or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever so long as any such document appeared to comply with the terms of the Letter of Credit;

(v) payment by Issuing Lender in good faith under such Letter of Credit against presentation of a draft or any accompanying document which does not strictly comply with the terms of such Letter of Credit; or any payment made by Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Laws;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any property purported to be represented by documents presented in connection with such Letter of Credit or for any difference between any such property and the character, quality, quantity, condition, or value of such property as described in such documents;

(vii) the time, place, manner, order or contents of shipments or deliveries of property as described in documents presented in connection with such Letter of Credit or the existence, nature and extent of any insurance relative thereto;

(viii) the solvency or financial responsibility of any party issuing any documents in connection with such Letter of Credit;

(ix) any failure or delay in notice of shipments or arrival of any property;

(x) any error in the transmission of any message relating to such Letter of Credit not caused by Issuing Lender, or any delay or interruption in any such message;

(xi) any error, neglect or default of any correspondent of Issuing Lender in connection with such Letter of Credit;

(xii) any consequence arising from acts of God, wars, insurrections, civil unrest, disturbances, labor disputes, emergency conditions or other causes beyond the control of Issuing Lender;

(xiii) so long as Issuing Lender in good faith determines that the document appears to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to Issuing Lender in connection with such Letter of Credit; and

(xiv) any other circumstances whatsoever where Issuing Lender has acted in good faith.

In addition, Borrower will promptly examine a copy of each Letter of Credit and amendments thereto delivered to it and, in the event of any claim of noncompliance with Borrower's instructions or other irregularity, Borrower will immediately notify Issuing Lender in writing. Borrower shall be conclusively deemed to have waived any such claim against Issuing Lender and its correspondents unless such notice is given as aforesaid.

(h) ROLE OF ISSUING LENDER. Each Lender and Borrower agree that, in paying any drawing under a Letter of Credit, Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. No Administrative Agent-Related Person nor any of the respective correspondents, participants or assignees of Issuing Lender shall be liable to any Lender for any action taken or omitted in connection herewith at the request or with the approval of Lenders or Requisite Lenders, as applicable; any action taken or omitted in the absence of gross negligence or willful misconduct; or the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit. Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit. No Administrative Agent-Related Person, nor any of the respective correspondents, participants or assignees of Issuing Lender, shall be liable or responsible for any of the matters described in subsection (g) above. In furtherance and not in limitation of the foregoing, Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(i) APPLICABILITY OF ISP98 AND UCP. Unless otherwise expressly agreed by Issuing Lender and Borrower when a Letter of Credit is issued and subject to applicable laws, performance under Letters of Credit by Issuing Lender, its correspondents, and beneficiaries will be governed by (i) with respect to standby Letters of Credit, the rules of the "International Standby Practices 1998" ("ISP98") or such later revision as may be published by the Institute of International Banking Law & Practice, subject to applicable laws, and (ii) with respect to commercial Letters of Credit, the rules of the Uniform Customs and Practice for Documentary Credits, as published in its most recent version by the International Chamber of Commerce (the "ICC") on the date any commercial Letter of Credit is issued, and including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro).

(j) LETTER OF CREDIT FEE. With respect to each Letter of Credit, Company shall pay to Administrative Agent for the account of Issuing Lender an upfront fee equal to such amount as is required by Issuing Lender pursuant to the Fee Letter. With respect to standby Letters of Credit, Company shall pay to Administrative Agent on each March 31, June 30, September 30 and December 31, in arrears, for the account of each Lender in accordance with its Pro Rata Share, a Letter of Credit fee equal to the Applicable Amount for such Letter of Credit times the actual daily maximum amount available to be drawn under each Letter of Credit since the later of the Closing Date and the previous Applicable Payment Date. If there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect.

(k) DOCUMENTARY AND PROCESSING CHARGES PAYABLE TO ISSUING LENDER. Company shall pay directly to Issuing Lender, upon demand, for its sole account its customary documentary and processing charges in accordance with its standard schedule, as from time to time in effect, for any Letter of Credit Action or other occurrence relating to a Letter of Credit for which such charges are customarily made.

2.04 PREPAYMENTS. Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in part in the Minimum Amount therefor or in full without premium or penalty. Administrative Agent will promptly notify each Lender thereof and of such Lender's Pro Rata Share of such prepayment. Borrower may, upon notice to Bank of America, specifying that Borrower is paying the

Swing Line Loans, prepay without penalty or premium the Swing Line Loans in whole at any time or in part from time to time, by paying the principal amount and all interest due and payable to be paid. If for any reason the Outstanding Obligations exceed the combined Commitments as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately prepay its Loans in an amount sufficient to eliminate such excess. Any prepayment of an Offshore Rate Loan shall be accompanied by all accrued interest thereon, together with the costs set forth in Section 3.05.

2.05 NOT USED.

2.06 REDUCTION OR TERMINATION OF COMMITMENTS. Upon Requisite Notice to Administrative Agent not later than the Requisite Time therefor, Company may at any time and from time to time, without premium or penalty, permanently and irrevocably reduce the Commitments in a Minimum Amount therefor to an amount not less than the Outstanding Obligations at such time or terminate the Commitments. Any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Commitments being reduced or terminated. Administrative Agent shall promptly notify Lenders of any such request for reduction or termination of the Commitments. Each Lender's Commitment shall be reduced by an amount equal to such Lender's Pro Rata Share times the amount of such reduction.

2.07 PRINCIPAL AND INTEREST.

(a) Except as otherwise provided hereunder, if not sooner paid, Borrower agrees to pay the outstanding principal amount of each Loan on the Maturity Date.

(b) Subject to subsection (c) below, and unless otherwise specified herein, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Laws) from the date borrowed until paid in full (whether by acceleration or otherwise) on each Applicable Payment Date at a rate per annum equal to the interest rate determined in accordance with the definition of such type of Loan, plus, to the extent applicable in each case, the Applicable Amount for such type of Loan. Administrative Agent shall invoice Company for the amount of interest due on any Base Rate Loan on the due date thereof.

(c) If any amount payable by any Borrower Party under any Loan Document is not paid when due (without regard to any applicable grace periods), it shall thereafter bear interest (after as well as before entry of judgment thereon to the extent permitted by law) at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be payable upon demand.

(d) So long as no Event of Default has occurred and is continuing, each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Line Loan is made until it becomes due, at a rate per annum equal to the Base Rate. So long as any Event of Default has occurred and is continuing, each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Line Loan is made until it becomes due, at a rate per annum equal to Two Percent (2%) over and above the Base Rate. Such interest shall be payable when the Swing Loan Note is paid or matures. From and after its due date, whether by reason of acceleration upon demand or otherwise, each Swing Line Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to Two Percent (2%) over and above the Base Rate.

2.08 FEES.

(a) COMMITMENT FEE. Company shall pay to Administrative Agent for the account of each Lender pro rata according to its Pro Rata Share, a Commitment fee equal to the Applicable Amount times the actual daily amount by which the combined Commitments exceed the Outstanding Obligations (excluding the outstanding balances of Swing Line Loans). The commitment fee shall accrue at all times from the Closing Date until the Maturity Date and shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount

shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect. The commitment fee shall accrue at all times, including at any time during which one or more conditions in Section 4 are not met.

(b) AGENCY FEES. An agency fee for the services to be performed by Administrative Agent hereunder shall be payable to Administrative Agent in the amount and at such times as are specified in the Fee Letter.

(c) OTHER FEES. Company shall pay any additional fees from time to time agreed upon by each Lender and Company which are set forth in the Fee Letter.

2.09 COMPUTATION OF INTEREST AND FEES. Computation of interest on Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to Lenders than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day.

#### 2.10 MAKING PAYMENTS.

(a) Except as otherwise provided herein, all payments by Borrower or any Lender hereunder shall be made to Administrative Agent at Administrative Agent's Office not later than the Requisite Time for such type of payment. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. All payments shall be made in immediately available funds in the currency of such extension of credit (or, with the consent of Administrative Agent in each instance, the Equivalent Amount in Dollars of the Applicable Offshore Currency). All payments by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) Upon satisfaction of any applicable terms and conditions set forth herein, Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds received as follows: (i) if payable to Borrower, by crediting the Designated Deposit Account, and (ii) if payable to any Lender, by wire transfer to such Lender at its Lending Office. If such conditions are not so satisfied, Administrative Agent shall return any funds it is holding to the Lenders making such funds available, without interest.

(c) Subject to the definition of "Interest Period," if any payment to be made by any Borrower Party shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest and fees.

(d) Unless Company or any Lender has notified Administrative Agent prior to the date any payment to be made by it is due, that it does not intend to remit such payment, Administrative Agent may, in its sole and absolute discretion, assume that Borrower or such Lender, as the case may be, has timely remitted such payment and may, in its sole and absolute discretion and in reliance thereon, make available such payment to the Person entitled thereto. If such payment was not in fact remitted to Administrative Agent in immediately available funds, then:

(i) if Borrower failed to make such payment, each Lender shall forthwith on demand repay to Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by Administrative Agent to such Lender to the date such amount is repaid to Administrative Agent at the Overnight Rate; and

(ii) if any Lender failed to make such payment, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such

Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent promptly shall notify Borrower, and Borrower shall pay such corresponding amount to Administrative Agent. Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by Administrative Agent to Borrower to the date such corresponding amount is recovered by Administrative Agent, (A) from such Lender at a rate per annum equal to the daily Overnight Rate, and (B) from Borrower, at a rate per annum equal to the interest rate applicable to such Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which Administrative Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

(e) If Administrative Agent or any Lender is required at any time to return to Borrower, or to a trustee, receiver, liquidator, custodian, or any official under any proceeding under Debtor Relief Laws, any portion of a payment made by Borrower, each Lender shall, on demand of Administrative Agent, return its share of the amount to be returned, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the daily Federal Funds Rate.

2.11 FUNDING SOURCES. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.12 SWING LINE LOAN SETTLEMENT AFTER DEFAULT. Upon the occurrence of any Event of Default or the demand for payment under the Swing Line Loans by Bank of America, N.A., unless otherwise requested by Bank of America, N.A., the Administrative Agent shall promptly notify the other Lenders in writing of the aggregate principal amount of all Swing Line Loans from Bank of America, N.A. then outstanding, and each of the other Lenders hereby irrevocably agrees to immediately purchase from Bank of America, N.A. with immediately available funds its ratable share of the amount of all such Swing Line Loans (based on such Lender's pro rata share of the combined Commitments), plus accrued and unpaid interest calculated on such pro rata share of such principal amount at a rate per annum equal to the Base Rate. Following such advance by each Lender to Bank of America, N.A. of its pro rata share of any such Swing Line Loans pursuant to the preceding sentence, each such Lender shall thereafter receive its pro rata share of all principal payments, interest payments, fees and other amounts due with respect to such Swing Line Loans as and when paid by Borrower to Bank of America, N.A. hereunder. Bank of America, N.A. agrees that it will not make any Swing Line Loan to Borrower after Bank of America, N.A. has received notice in writing from Borrower or any other Lender that a Default or Event of Default has occurred and is continuing, without the prior written consent of the Requisite Banks.

### SECTION 3. TAXES, YIELD PROTECTION AND ILLEGALITY

#### 3.01 TAXES.

(a) Any and all payments by Borrower to or for the account of Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of Administrative Agent and each Lender, taxes imposed on or measured by its net income or branch profits or franchise taxes imposed on it (in lieu of net income or branch profits taxes), by the United States of America or by the jurisdiction (or any political subdivision thereof) under the Laws of which Administrative Agent or such Lender, as the case may be, is organized, in which its principal office is located or in which it maintains a lending office, and any other taxes withheld because such Lender failed to timely deliver the forms required pursuant to Section 10.21 (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan

Document to Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, Borrower shall furnish Administrative Agent (who shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If Borrower shall be required by the Laws of any jurisdiction outside the United States to deduct any Taxes from or in respect of any sum payable under any Loan Document to Administrative Agent or any Lender, Borrower shall also pay to such Lender or Administrative Agent (for the account of such Lender), at the time interest is paid, such additional amount that the respective Lender specifies as necessary to preserve the after-tax yield (after factoring in United States (federal and state) taxes imposed on or measured by net income) such Lender would have received if such deductions (including deductions applicable to additional sums payable under this Section) had not been made.

(d) Borrower agrees to indemnify Administrative Agent and each Lender for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Administrative Agent and such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto.

3.02 ILLEGALITY. If the introduction of any Laws or any change in any Laws or in the interpretation or administration thereof has made it unlawful, or any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Offshore Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars or the applicable Offshore Currency in the applicable offshore interbank market, or to determine or charge interest rates based upon the Offshore Rate, then, on notice thereof by such Lender to Company through Administrative Agent, any obligation of such Lender to make Offshore Rate Loans shall be suspended until the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, Borrower shall, upon demand from such Lender (with a copy to Administrative Agent), prepay or Convert all Offshore Rate Loans of such Lender, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Offshore Rate Loans. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 INABILITY TO DETERMINE OFFSHORE RATES. If, in connection with any Request for Extension of Credit involving any Offshore Rate Loan, (a) deposits in Dollars or the applicable Offshore Currency are not being offered to banks in the applicable offshore market in the amount and for the Interest Period of the requested Offshore Rate Loan, (b) adequate and reasonable means do not exist for determining the underlying interest rate for such Offshore Rate Loan, or (c) such underlying interest rate does not adequately and fairly reflect the cost to Lenders of funding such Offshore Rate Loan, Administrative Agent will promptly notify Company and all Lenders. Thereafter, the obligation of Lenders to make or maintain such Offshore Rate Loan shall be suspended until such circumstances have ceased to exist, whereupon Administrative Agent shall revoke such notice. Upon receipt of such notice, Borrower may revoke any pending request for a Borrowing of Offshore Rate Loans or, failing that, be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 INCREASED COST AND REDUCED RETURN; CAPITAL ADEQUACY.



(a) If, due to either the introduction of or any change in or in the interpretation of any Law or the compliance with any guideline or request of general applicability from any central bank or other Governmental Authority (whether or not having the force of law):

(i) subjects any Lender to any Tax, duty, or other charge with respect to any Offshore Rate Loans or its obligation to make Offshore Rate Loans, or change the basis on which taxes are imposed on any amounts payable to such Lender under this Agreement in respect of any Offshore Rate Loans;

(ii) shall impose or modify any reserve, special deposit, or similar requirement (other than the reserve requirement utilized in the determination of the Offshore Rate) relating to Offshore Rate Loans or other assets of, or any deposits with or other liabilities or commitments of, any Lender (including its Commitment) with respect thereto; or

(iii) shall impose on any Lender or on the offshore Dollar interbank market any other condition affecting Offshore Rate Loans under this Agreement or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender of making, Converting into, Continuing, or maintaining any Offshore Rate Loans or to reduce any sum received or receivable by such Lender under this Agreement with respect to any Offshore Rate Loans, then from time to time upon demand of Lender (with a copy of such demand to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any change in or the interpretation of any Laws have the effect of reducing the rate of return on the capital of any Lender or compliance by any Lender (or its Lending Office) or any corporation controlling any Lender as a consequence of any Lender's obligation hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy to Administrative Agent), Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

3.05 BREAKFUNDING COSTS. Upon demand of any Lender (with a copy to Administrative Agent) from time to time, Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any Continuation, Conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, Continue or Convert any Loan other than a Base Rate Loan on the date or in the amount notified by Borrower;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

3.06 MATTERS APPLICABLE TO ALL REQUESTS FOR COMPENSATION.

(a) Each Lender or Administrative Agent claiming compensation under this Section 3 shall in each case furnish a certificate to Company that states in reasonable detail in good faith the additional amount or amounts to be paid to it hereunder and the basis therefor. Any such certificate shall be conclusive in the absence of clearly demonstrable error. In determining such amount, Administrative Agent or any Lender may use any reasonable averaging and attribution methods. For purposes of this Section 3, a Lender shall be deemed to have funded each Offshore Rate Loan at the Offshore Base Rate used in determining the Offshore Rate for such Loan by a matching deposit or other borrowing in the offshore Dollar interbank market, whether or not such Offshore

Rate Loan was in fact so funded.

3.07 SURVIVAL. All of Borrower's obligations under this Section 3 shall survive termination of the Commitments and payment in full of all Obligations.

SECTION 4.  
CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT

4.01 CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make its initial Extension of Credit hereunder is subject to satisfaction of the following conditions precedent:

(a) Unless waived by all Lenders (or by Administrative Agent with respect to immaterial matters, Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Borrower Party, each dated on, or in the case of third-party certificates, recently before the Closing Date and each in form and substance reasonably satisfactory to Administrative Agent and its legal counsel:

(i) AGREEMENT. Executed counterparts of this Agreement, sufficient in number for distribution to Administrative Agent, Lenders and Borrower;

(ii) NOTES. Notes duly executed and delivered by Borrower in favor of each Lender, each in a principal amount equal to such Lender's Commitment;

(iii) MASTER GUARANTY. The Master Guaranty duly executed and delivered by each Guarantor.

(iv) RESOLUTIONS; INCUMBENCY.

(A) Copies of the resolutions of the board of directors or the executive committee of the board of directors of each Borrower Party approving and authorizing the execution, delivery and performance by such Borrower Party of the Loan Documents to which it is a party, certified as of the Closing Date by the Secretary or an Assistant Secretary of such Borrower Party; and

(B) A certificate of the Secretary or Assistant Secretary of each Borrower Party, certifying the names and true signatures of the officers of each Borrower Party authorized to execute and deliver the Loan Documents to which it is a party.

(v) ARTICLES OF INCORPORATION; BY-LAWS AND GOOD STANDING. Each of the following documents:

(A) the articles or certificate of incorporation of each Borrower Party as in effect on the Closing Date, certified by the Secretary of State of the State of incorporation of each Borrower Party as of a recent date and by the Secretary or Assistant Secretary of each Borrower Party as of the Closing Date and the bylaws of each Borrower Party as in effect on the Closing Date, certified by the Secretary or Assistant Secretary of each Borrower Party as of the Closing Date and

(B) a good standing certificate for Company from the Secretary of State of Delaware and the State of Missouri as of a recent date.

(vi) AMENDMENT TO NOTE PURCHASE AGREEMENT-1997. Evidence that Company has amended the Note Purchase Agreement-1997 (or other evidence satisfactory to Administrative Agent) to provide that the Obligations of the Guarantors under the Master Guaranty do not create a

default under that Agreement.

(vii) NOT USED.

(viii) LEGAL OPINION. An opinion of Thompson & Coburn, counsel to the Borrower Parties, and addressed to each Lender and Issuing Lender in form and substance heretofore approved by Administrative Agent.

(ix) PAYMENT OF FEES. Company shall have paid all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with reasonable attorney fees, costs and expenses to the extent invoiced prior to or on the Closing Date.

(x) CERTIFICATE. A certificate signed by a Responsible Officer, dated as of the Closing Date, stating that: (i) the representations and warranties contained in Section 5 are true and correct in all material respects on and as of such date, as though made on and as of such date; (ii) no Default or Event of Default exists on the Closing Date and (iii) since December 31, 2001, there has been no change that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect.

(xi) OTHER DOCUMENTS. Such other assurances, certificates, documents, consents or opinions as Administrative Agent, Issuing Lender or Requisite Lenders reasonably may require.

(b) The representations and warranties of any Borrower Party contained in Section 5, or which are contained in the Master Guaranty, any Compliance Certificates or any other material certificate furnished at any time under or in connection with any Loan Document shall be correct in all material respects on and as of the Closing Date except to the extent such representations and warranties specifically refer to an earlier date.

(c) No Default or Event of Default shall have occurred and be continuing.

(d) Administrative Agent shall have received and reviewed, with results reasonably satisfactory to it, information confirming that Company and its Subsidiaries are taking all reasonably necessary and appropriate steps to comply with the Sarbanes-Oxley Act and the implementing regulations thereunder.

4.02 CONDITIONS TO ALL EXTENSIONS OF CREDIT. In addition to any applicable conditions precedent set forth elsewhere in this Section 4 or in Section 2, the obligation of each Lender to honor any Request for Extension of Credit is subject to the following conditions precedent:

(a) the representations and warranties of any Borrower Party contained in Section 5, or which are contained in the Master Guaranty, any Compliance Certificates or any other material certificate furnished at any time under or in connection with any Loan Document shall be correct in all material respects on and as of the date of such Extension of Credit, except to the extent that such representations and warranties specifically refer to an earlier date.

(b) no Default or Event of Default exists, or would result from such proposed Extension of Credit.

(c) Administrative Agent shall have timely received a Request for Extension of Credit by Requisite Notice by the Requisite Time therefor.

(d) Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Administrative Agent or Requisite Lenders reasonably may require.

Each Request for Extension of Credit by Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of such Extension of Credit.

4.03 CONDITIONS FOR A DOMESTIC SUBSIDIARY BECOMING A GUARANTOR. As a condition precedent to a Domestic Subsidiary becoming a Guarantor under the Master Guaranty, Administrative Agent shall have received the following with

respect to such Subsidiary, in form and substance satisfactory to Administrative Agent:

(a) With respect to all such Subsidiaries, the items referred to in Section 4.01(a)(iv) and, to the extent not previously delivered, the items referred in Section 4.01(a)(v).

(b) With respect to all Subsidiaries, the opinion of the general counsel or assistant general counsel of Company (or such other counsel designated by Company and reasonably acceptable to Administrative Agent), in form reasonably acceptable to Administrative Agent, as to (i) such Subsidiary's obligations under the Loan Documents to which it will be a party being the legal, valid, binding and enforceable obligation of such Subsidiary and (ii) the execution, delivery and performance of such Loan Documents by such Subsidiary (A) being authorized by all necessary corporate, company or partnership action, as applicable, (B) not violating any law, decree, judgment or, to the knowledge of such counsel, contractual obligation to which such Subsidiary is a party or by which it or its assets are bound, and (C) not requiring any government approvals, consents, registrations or filings.

(c) Exhibit A to the Master Guaranty duly executed by such Domestic Subsidiary, whereby such Domestic Subsidiary agrees to be bound by the terms and conditions of the Master Guaranty and, if the Intercreditor Agreement remains in effect, an acknowledgement to be bound by the Intercreditor Agreement in accordance with the terms thereof and each Note Purchase Agreement.

(d) Such other opinions or documents as Administrative Agent or any Lender may reasonably request.

#### SECTION 5. REPRESENTATIONS AND WARRANTIES

Each Borrower severally represents and warrants to Administrative Agent and Lenders that:

5.01 ORGANIZATION AND EXISTENCE. Each Covered Person is duly organized and existing in good standing under the laws of the jurisdiction of its organization, is duly qualified to do business and is in good standing in every jurisdiction where the nature or extent of its business or properties require it to be qualified to do business, except where the failure to so qualify will not have a Material Adverse Effect. Each Covered Person has the power and authority to own its properties and carry on its business as now being conducted.

5.02 AUTHORIZATION. Each Borrower Party is duly authorized to execute and perform every Loan Document to which such Borrower Party is a party, and each Borrower is duly authorized to borrow hereunder, and the Loan Documents to which it is a party have been duly authorized by all requisite corporate (or, if not a corporation, comparable) action of Borrower Party. No consent, approval or authorization of, or declaration or filing with, any Governmental Authority, and no consent of any other Person, is required in connection with any Borrower Party's execution, delivery or performance of this Agreement and the other Loan Documents, except for those already duly obtained or explicitly contemplated hereunder.

5.03 DUE EXECUTION. Every Loan Document to which a Borrower Party is a party has been executed on behalf of such Borrower Party by a legally competent Person duly authorized to do so.

5.04 ENFORCEABILITY OF OBLIGATIONS. Each of the Loan Documents to which a Borrower Party is a party constitutes the legal, valid and binding obligation of such Borrower Party, enforceable against such Borrower Party in accordance with its terms, except to the extent that the enforceability thereof against such Borrower Party may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles of general application.

5.05 BURDENSOME OBLIGATIONS. No Covered Person is a party to or bound by any Contract or is subject to any provision in the Charter Documents of such Covered Person which would, if performed by such Covered Person, result in a Default or Event of Default either immediately or upon the elapsing of time.

5.06 LEGAL RESTRAINTS. The execution of any Loan Document by a Borrower Party will not violate or constitute a default under the Charter Documents of such Borrower Party, any Material Agreement of such Borrower Party, or any Material Law, and will not, except as expressly contemplated or permitted in this Agreement, result in any Security Interest being imposed on any of such Borrower Party's property. The performance by any Borrower Party of its obligations under any Loan Document to which it is a party will not violate or constitute a default under the Charter Documents of such Borrower Party, any Material Agreement of such Borrower Party, or any Material Law, and will not, except as expressly contemplated or permitted in this Agreement, result in any Security Interest being imposed on any of such Borrower Party's property.

5.07 LABOR DISPUTES. There is no pending or, to Company's knowledge, threatened, strike, work stoppage, material unfair labor practice claim or other material labor dispute against or affecting any Covered Person or its employees, which is reasonably likely to have a Material Adverse Effect.

5.08 NO MATERIAL PROCEEDINGS. There are no Material Proceedings pending or, to the best knowledge of Company, threatened, other than as described in item Schedule 5.08, copies of which have been furnished to Administrative Agent.

5.09 MATERIAL LICENSES. All Material Licenses have been obtained or exist for each Covered Person.

5.10 COMPLIANCE WITH MATERIAL LAWS. Each Covered Person is in compliance with all Material Laws. Without limiting the generality of the foregoing:

(a) GENERAL COMPLIANCE WITH ENVIRONMENTAL LAWS. The operations and employee compensation practices of every Covered Person comply in all material respects with all applicable Environmental Laws, the failure to comply with which is reasonably likely to have a Material Adverse Effect.

(b) PROCEEDINGS. None of the operations of any Covered Person are the subject of any judicial or administrative complaint, order or proceeding alleging the violation of any applicable Environmental Laws.

(c) INVESTIGATIONS REGARDING HAZARDOUS MATERIALS. None of the operations of any Covered Person are the subject of investigation by any Governmental Authority regarding the improper transportation, storage, disposal, generation or release into the environment of any Hazardous Material.

(d) NOTICES AND REPORTS REGARDING HAZARDOUS MATERIALS. No notice or report under any Environmental Law indicating a past or present spill or release into the environment of any Hazardous Material from any property owned or operated by a Covered Person has been filed within the immediately preceding four fiscal years of such Covered Person, or is required to be filed by any Covered Person, to the extent such spill or release had or will have a Material Adverse Effect.

(e) HAZARDOUS MATERIALS ON REAL PROPERTY. No Covered Person, nor to Company's knowledge, any other Person, has at any time transported, stored, disposed of, generated or released any Hazardous Material on the surface, below the surface, or within the boundaries of any real property owned or operated by such Covered Person, which event is reasonably likely to have a Material Adverse Effect. Company has no knowledge of any Hazardous Material on the surface, below the surface, or within the boundaries of any real property owned or operated by such Covered Person, which is reasonably likely to have a Material Adverse Effect. No property of such Covered Person is subject to a Security Interest in favor of any Governmental Authority for any liability under any Environmental Law or damages arising from or costs included by such Governmental Authority in response to a spill or release of Hazardous Material into the environment.

5.11 INITIAL FINANCIAL STATEMENTS. The Financial Statements of Company as of December 31, 2001 and as of September 30, 2002, as delivered to Administrative Agent by Company, are complete and correct in all material respects, have been prepared in accordance with

GAAP, and fairly reflect the financial condition, results of operations and cash

flows of Company as of the date and for the periods stated therein.

5.12 NO CHANGE IN CONDITION. Since September 30, 2002, there has been no change which is reasonably likely to have a Material Adverse Effect.

5.13 NO DEFAULTS. No Covered Person has breached or violated or has defaulted under any Material Agreement, or has defaulted with respect to any Material Obligation of such Covered Person. No Default or Event of Default exists.

5.14. TAX LIABILITIES; GOVERNMENTAL CHARGES. Each Covered Person has filed or caused to be filed all tax reports and returns required to be filed by it with any Governmental Authority, except where extensions have been properly obtained or where failure to file is not reasonably likely to have a Material Adverse Effect. Each Covered Person has paid or made adequate provision for payment of all Taxes of such Covered Person, except (a) Taxes which are being diligently contested in good faith by appropriate proceedings and as to which such Covered Person has established adequate reserves in conformity with GAAP or (b) where failure to pay is not reasonably likely to have a Material Adverse Effect. No Security Interests for any such Taxes has been filed and no claims are being asserted with respect to any such Taxes which, if adversely determined, are reasonably likely to have a Material Adverse Effect. There are no material unresolved issues concerning any liability of a Covered Person for any Taxes which, if adversely determined, are reasonably like to have a Material Adverse Effect.

5.15 PENSION BENEFIT PLANS. All Pension Benefit Plans maintained by each Covered Person or an ERISA Affiliate of such Covered Person qualify under Section 401 of the Code and are in compliance in all material respects with the provisions of ERISA. Except with respect to events or occurrences which do not have and are not reasonably likely to have a Material Adverse Effect:

(a) PROHIBITED TRANSACTIONS. None of such Pension Benefit Plans has participated in, engaged in or been a party to any non exempt prohibited transaction as defined in ERISA or the Code, and no officer, director or employee of a Covered Person or of an ERISA Affiliate of such Covered Person has committed a breach of any of the responsibilities or obligations imposed upon fiduciaries by Title I of ERISA.

(b) CLAIMS. Other than normal claims for benefits, there are no claims, pending or threatened, involving any such Pension Benefit Plan by a current or former employee (or beneficiary thereof) of such Covered Person or ERISA Affiliate of such Covered Person, nor is there any reasonable basis to anticipate any claims involving any such Pension Benefit Plan which would likely be successfully maintained against such Covered Person or ERISA Affiliate of such Covered Person.

(c) REPORTING AND DISCLOSURE REQUIREMENTS. There are no violations of any reporting or disclosure requirements with respect to any such Pension Benefit Plan and none of such Pension Benefit Plans has violated any applicable Law, including ERISA and the Code.

(d) ACCUMULATED FUNDING DEFICIENCY. No such Pension Benefit Plan has (i) incurred an accumulated funding deficiency (within the meaning of Section 412(a) of the Code), whether or not waived; (ii) been a Pension Benefit Plan with respect to which a Reportable Event (to the extent that the reporting of such events to the PBGC within thirty days of the occurrence has not been

waived) has occurred and is continuing; or (iii) been a Pension Benefit Plan with respect to which there exist conditions or events which have occurred that present a significant risk of termination of such Pension Benefit Plan by the PBGC.

(e) MULTI EMPLOYER PLAN. No Covered Person or ERISA Affiliate of such Covered Person has received notice that any Multi Employer Plan to which any Covered Person contributes or is obligated to contribute is in reorganization or has been terminated within the meaning of Title IV of ERISA, and no such Multi Employer Plan is reasonably expected to be in reorganization or to be terminated within the meaning of Title IV of ERISA.

5.16 EMPLOYEE BENEFIT PLANS. N Covered Person or ERISA Affiliate of such Covered Person maintains an employee benefit plan that has a liability which, if enforced or collected, would have a Material Adverse Effect. Each

Covered Person and ERISA Affiliate of such Covered Person has complied in all material respects with the applicable requirements of Section 4980B of the Code pertaining to continuation coverage as mandated by COBRA.

5.17 STATE OF PROPERTY. Each Covered Person has good and marketable or merchantable title to all real and personal property purported to be owned by it or reflected in the Initial Financial Statements, except for property sold in the ordinary course of business after the date of the Initial Financial Statements and except for any defects in title which are not reasonably likely to have a Material Adverse Effect. There are no Security Interests on any of the property purported to be owned by any Covered Person except Security Interests permitted under this Agreement.

5.18 SUBSIDIARIES. As of the Closing Date, Company has no Subsidiaries other than the Subsidiaries listed in Schedule 5.18, and all Domestic Subsidiaries other than Mississippi Textiles Corporation and Insituform (Netherlands) B.V., Inc. are Guarantors. After the Closing Date, all Domestic Subsidiaries other than Mississippi Textiles Corporation and Insituform (Netherlands) B.V., Inc. are Guarantors within the time period set forth in Section 6.10.

5.19 MARGIN STOCK. Company is not engaged and will not engage, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U), and none of the proceeds of any Loan will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation U. None of the transactions contemplated by any Permitted Acquisition will violate Regulation U of the FRB.

5.20 HOSTILE SECURITIES TRANSACTIONS. No proceeds of any Loan will be used to acquire from any Person any security in a transaction that is hostile from the point of view of such Person.

5.21 INVESTMENT COMPANY ACT, ETC. No Borrower Party is an investment company registered or required to be registered under the Investment Company Act of 1940, as amended, or a company controlled (within the meaning of such Investment Company Act) by such an investment company or an affiliated person of, or promoter or principal underwriter for, an investment company, as such terms are defined in the Investment Company Act of 1940, as amended. No Borrower Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Interstate Commerce Act.

5.22 FILINGS. All registration statements, reports, proxy statements and other documents, if any, required to be filed by Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, have been filed, and such filings are complete and accurate in all material respects and contain no untrue statements of material fact or omit to state any material facts required to be stated therein or necessary in order to make the statements there in not misleading in light of the circumstances in which made.

5.23 BROKER'S FEES. No broker or finder is entitled to compensation for services rendered with respect to the loan transactions contemplated by this Agreement and the other Loan Documents.

5.24 INDEBTEDNESS OUTSTANDING ON CLOSING DATE. Schedule 5.24 lists, as of the Closing Date, all outstanding Indebtedness of Company and its Subsidiaries in excess of \$1,000,000, all Liens on property of Company and its Subsidiaries securing Indebtedness in excess of \$1,000,000 and all contractual obligations undertaken by the Company and its Subsidiaries in connection with Indebtedness in excess of \$1,000,000 restricting Liens on property of Company and its Subsidiaries.

5.25 PROJECTIONS. Notwithstanding anything in the Loan Documents to the contrary, no Borrower Party shall be construed as having made any representation, warranty or covenant with respect to any projection or forecast, or the achievement thereof, except that whenever Company or its Subsidiaries shall from time to time deliver projections in connection with any Loan Document, to the best knowledge of Company when delivered, the assumptions set

forth in such projections are reasonable and consistent with each other and with all facts known to Company at such time, and such projections are reasonably based on such assumptions.

5.26 FULL DISCLOSURE. Company has disclosed to Administrative Agent and each Lender all information regarding the business, operations, property, financial condition, or business prospects of itself and every Covered Person which is reasonably likely to have a Material Adverse Effect.

5.27 USE OF PROCEEDS. None of the proceeds of the Loans will be used directly or indirectly to fund a personal loan to or for the benefit of a director or executive officer of Borrower or a Guarantor.

5.28 BONDING CAPACITY. Company and its Subsidiaries have in place and available to it and them surety and performance bonds adequate in amount and credit quality to continue in the ordinary course of their business as presently projected over the course of the next eighteen (18) months.

SECTION 6.  
AFFIRMATIVE COVENANTS

Until Final Payment, Company shall, and shall (except in the case of Company's reporting covenants under Sections 6.01 and 6.02), cause each Subsidiary to:

6.01 FINANCIAL STATEMENTS. Deliver to Administrative Agent and to each Lender:

(a) ANNUAL FINANCIAL STATEMENTS. Within 90 days after the close of each fiscal year of Company (unless Company has timely filed a Form 12b-25 with the Securities and Exchange Commission with respect to such fiscal year, in which case such period shall be 105 days after the close of such fiscal year), year-end consolidated and consolidating Financial Statements of Company and its Subsidiaries (to include balance sheet, income statement and statement of cash flows), setting forth in each case in comparable form the figures for the previous year, all in reasonable detail and containing an audit report without qualification (except the qualification Pricewaterhouse Coopers LLP does not express any opinion with respect to the financial statements of the Company and its Subsidiaries for fiscal years 2000 and 2001) with respect to such consolidated statements by Pricewaterhouse Coopers, LLP or such other independent certified public accounting firm selected by Company and satisfactory to Requisite Lenders, and certified by the officers of the Company as required by the Sarbanes-Oxley Act.

(b) QUARTERLY FINANCIAL STATEMENTS. Within 45 days after the end of each fiscal quarter of Company (unless Company has timely filed a Form 12b-25 with the Securities and Exchange Commission with respect to such fiscal quarter, in which case such period shall be 50 days after the close of such fiscal quarter), unaudited consolidated and consolidating Financial Statements of Company and its Subsidiaries (to include balance sheet, income statement and statement of cash flows) for the most recent quarter not covered by the latest year-end Financial Statements required hereunder to be delivered to Administrative Agent.

6.02 CERTIFICATES, NOTICES AND OTHER INFORMATION. Deliver to Administrative Agent with a copy to each Lender in form and detail reasonably satisfactory to Administrative Agent:

(a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of the independent certified public accounting firm that examined such consolidated Financial Statements to the effect that they have reviewed and are familiar with this Agreement and that, in examining such consolidated Financial Statements, nothing came to their attention that caused them to believe that an event or condition that constitutes a Default or Event of Default has occurred or existed insofar as such conditions or events relate to accounting matters, except for those, if any, described in reasonable detail in such certificate;

(b) concurrently with the delivery of the financial statements referred to in Section 6.01(a), or as promptly as available thereafter, the management letter and report on internal controls delivered by such independent certified public accounting firm in connection with their audit of such



financials;

(c) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of Company;

(d) promptly after their preparation, copies of any and all (i) proxy statement, financial statements and reports which Company makes available to its stockholders generally, and (ii) reports, registration statements and prospectuses, if any, filed by Company with any securities exchange or the Securities and Exchange Commission or any Governmental Authority succeeding to any of its functions;

(e) within the 60 days following the first day of each fiscal year of Company, projected or forecasted consolidated balance sheets, statements of income and expense, and statements of cash flows for Company and its Subsidiaries (including any Subsidiary then proposed to be acquired, organized or created in connection with a Permitted Acquisition and to continue in existence after consummation thereof) as of the end of and for each fiscal quarter in such fiscal year in such reasonable detail as Administrative Agent or any Lender may require;

(f) within forty-five (45) days after the end of each fiscal quarter, a job status report for each project of Company and its Subsidiaries containing such detail and information as are satisfactory to Administrative Agent;

(g) promptly upon any Responsible Officer of Company becoming aware of the occurrence thereof, notice of any Default or Event of Default;

(h) promptly after the receipt thereof, a copy of, any (i) notice that any violation of any Environmental Law may have been committed or is about to be committed by any Covered Person, which violation is reasonably likely to have a Material Adverse Effect, (ii) notice that any administrative or judicial complaint or order has been filed or is about to be filed against any Covered Person alleging violations of any Environmental Law or requiring such Covered Person to take any action in connection with the release of any Hazardous Material into the Environment, (iii) notice from a Governmental Authority or private Person alleging that a Covered Person may be liable or responsible for costs associated with a response to or cleanup of a release of Hazardous Material into the environment or any damages caused thereby, which costs or damages are reasonably likely to be in excess of \$500,000, (iv) notice that a Covered Person is subject to federal, state or local investigation regarding the improper transportation, storage, disposal, generation or release into the environment of any Hazardous Material, which event is reasonably likely to have a Material Adverse Effect, or (v) notice that any properties or assets of a Covered Person are subject to a Security Interest in favor of any Governmental Authority for any liability under any Environmental Law or damages arising from or costs incurred by such Governmental Authority in response to a release of Hazardous Material into the environment;

(i) promptly after the occurrence thereof, notice of (i) the failure of any Covered Person or ERISA Affiliate of such Covered Person to make any required installment or any other required payment to any Pension Benefit Plan in sufficient amount to comply with ERISA and the Code on or before the due date for such installment or payment, which event is reasonably likely to have a Material Adverse Effect; (ii) the occurrence of any Reportable Event, or a Prohibited Transaction or Accumulated Funding Deficiency (as those terms are defined in ERISA), with respect to any Pension Benefit Plan maintained or contributed to by a Covered Person or ERISA Affiliate of such Covered Person, (iii) receipt by a Covered Person or ERISA Affiliate of such Covered Person of any notice from a Multiemployer Plan regarding the imposition of withdrawal liability, which event is reasonably likely to have a Material Adverse Effect; and (iv) receipt by a Covered Person or ERISA Affiliate of such Covered Person of any notice of the institution, or a Covered Person's expectancy of the institution, of any proceeding or receipt by such Covered Person or ERISA Affiliate of such Covered Person of any notice of the taking, or such Covered Person's expectancy of the taking, of any other action which may result in the termination of any Pension Benefit Plan maintained or contributed to by such Covered Person or ERISA Affiliate of such Covered Person, or the withdrawal or partial withdrawal by a Covered Person or ERISA Affiliate of such Covered Person

from any Pension Benefit Plan, and the filing or receipt by Covered Person or ERISA Affiliate of

such Covered Person of any such notice and filing or receipt of all subsequent reports or notices under ERISA with or from the IRS, the PBGC, or the DOL relating to the same, which event is reasonably likely to have a Material Adverse Effect; and, in addition to such notice, deliver to Administrative Agent a certificate of a Responsible Officer of Company, setting forth details as to such events and the action that the affected Covered Person or ERISA Affiliate of such Covered Person proposes to take with respect thereto. For purposes of this Section, a Covered Person and any ERISA Affiliate of such Covered Person shall be deemed to know all facts known by the administrator of any Plan of which such Covered Person or any ERISA Affiliate of such Covered Person is the plan sponsor;

(j) promptly after the occurrence thereof, notice of any default or event of default, or the occurrence of any event which would with the passage of time, giving of notice or otherwise, constitute a default or event of default with respect to any Indebtedness in excess of \$5,000,000;

(k) promptly after becoming aware thereof, notice of any pending or threatened strike, work stoppage, material unfair labor practice claim or other material labor dispute affecting a Covered Person which is reasonably likely to have a Material Adverse Effect;

(l) notice of any change in the name, state of incorporation, or form of organization of any Borrower Party at least 15 days prior to such change;

(m) promptly after any Responsible Officer becomes aware thereof, notice of the cancellation of or refusal to extend a performance or payment bond or surety contract to Company or a Subsidiary in connection with work to be performed by Company or any Subsidiary or any joint venture in which Company or any Subsidiary participates, and notice of the face amount of claims against such performance or payment bonds or surety contracts to the extent such claims in the aggregate exceed \$500,000 at any one time;

(n) promptly after any Responsible Officer becomes aware thereof, notice of any event that has or is reasonably likely to have a Material Adverse Effect;

(o) promptly after any Responsible Officer becomes aware thereof, commencement of any Material Proceeding;

(p) promptly after any Responsible Officer becomes aware thereof, notice of an actual, alleged, or potential violation of any Material Law applicable to a Covered Person.

(q) promptly after the occurrence thereof, notice of any loss, including loss as a consequence of condemnation proceedings, or damage to any part of the assets of a Covered Person, if the uninsured portions of such loss, damage or proceeding is reasonably likely to be in excess of \$1,000,000;

(r) promptly after the request of Administrative Agent or any Lender, a copy of each annual report or other filing or notice filed with respect to each Pension Benefit Plan of any Covered Person or any ERISA Affiliate;

(s) promptly after the request of Administrative Agent or any Lender, a copy of each federal, state, or local tax return or report filed by Company; and

(t) promptly after the request of Administrative Agent or any Lender, such additional information about the business, operations, revenues, financial condition, property, or business prospects of any Borrower Party as Administrative Agent or any Lender may, from time to time, reasonably request.

working capital, general corporate purposes and to fund payment of amounts due from Company or any Subsidiary in connection with Permitted Acquisitions.

6.04 CORPORATE EXISTENCE. Except as a result of a transaction permitted by Section 7.07, maintain its existence in good standing and shall maintain in good standing its right to transact business in those states in which it is now or hereafter doing business, except where the failure to so qualify is not reasonably likely to have a Material Adverse Effect, and obtain and maintain all Material Licenses for such Covered Person.

6.05 MAINTENANCE OF PROPERTY AND LEASES. Maintain in good condition and working order, and repair and replace as required, all buildings, equipment, machinery, fixtures and other real and personal property whose useful economic life has not elapsed and which is necessary for the ordinary conduct of the business of such Covered Person, and maintain in good standing and free of defaults all of its leases of buildings, equipment, machinery, fixtures and other real and personal property whose useful economic life has not elapsed and which is necessary for the ordinary conduct of the business of such Covered Person.

6.06 INSURANCE. At all times keep insured or cause to be kept insured, with financially sound and reputable insurers, all property owned by it of a character usually insured by others carrying on businesses similar to that of such Covered Person in such manner and to such extent and covering such risks as such properties are usually insured, and at all times carry insurance, with financially sound and reputable insurers, against liability on account of damage to persons or property (including product liability insurance and insurance required under all applicable workers' compensation laws) and covering all other liabilities common to such Covered Person's business, in such manner and to such extent as such coverage is usually carried by others conducting businesses similar to that of such Covered Person.

6.07 PAYMENT OF TAXES AND OTHER OBLIGATIONS. Promptly pay and discharge or cause to be paid and discharged, as and when due, all taxes lawfully assessed or imposed on it, and all taxes lawfully assessed upon any of its property, or upon the income or profits therefrom, and all claims of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons for labor, materials, supplies, storage or other items or services which if unpaid might be or become a Security Interest or charge upon any of its property; provided, however, that a Covered Person may diligently contest in good faith by appropriate proceedings the validity of any such taxes or claims if Company has established adequate reserves therefor in conformity with GAAP on the books of such Covered Person, and no Security Interest, other than a Permitted Security Interest, results from such non-payment.

6.08 COMPLIANCE WITH LAWS. Comply with all Material Laws. Without limiting the generality of the foregoing:

(a) ENVIRONMENTAL LAWS. Comply and shall use commercially reasonable efforts to ensure compliance by all tenants, subtenants and other occupants of the property of such Covered Person, if any, with all Environmental Laws whose violation is reasonably likely to have a Material Adverse Affect.

(b) PENSION BENEFIT PLANS. Shall, and shall cause each ERISA Affiliate of such Covered Person to, at all times make prompt payments or contributions to meet the minimum funding standards under ERISA and the Code with respect to any Pension Benefit Plan maintained by such Covered Person or ERISA Affiliate of such Covered Person, and shall comply with all reporting and disclosure requirements and all provisions of the Code and ERISA applicable to any Pension Benefit Plan maintained by such Covered Person or ERISA Affiliate to such Covered Person, if non compliance therewith is reasonably likely to have a Material Adverse Affect.

(c) DISCOVERY AND CLEAN UP OF HAZARDOUS MATERIAL. Upon receiving notice of any violation of Environmental Laws or any similar notice described in Section 6.02, or upon otherwise discovering Hazardous Material on any property owned or operated by such Covered Person which is in violation of, or which is reasonably likely to result in liability under, any Environmental Law which is reasonably likely to have a Material Adverse Effect, shall: (i) promptly take such acts as may be necessary to prevent danger or harm to the affected property or any person therein as a result of such Hazardous Material, and (ii) take all necessary steps to initiate and expeditiously complete all removal, remedial,

response, corrective and other action to eliminate any such environmental problems, and keep Administrative Agent informed of such actions and the results thereof.

6.09 ACCOUNTING SYSTEM. Maintain a system of accounting established and administered in accordance with GAAP.

6.10 ADDITIONAL GUARANTORS. Cause each Domestic Subsidiary other than Mississippi Textiles Corporation and Insituform (Netherlands) B.V., Inc. to become a Guarantor by complying, within 90 days of becoming a Domestic Subsidiary, with the applicable provisions of Section 4.03 on its part to be performed in such cases. Each and every obligation and condition under this Agreement with respect to the delivery of the Master Guaranty or a Domestic Subsidiary becoming a Guarantor hereunder shall be subject to the prior or contemporaneous execution and delivery by Administrative Agent and all Lenders of such agreements as are contemplated by Section 9.8(e) of the Note Purchase Agreement-1997 and the equivalent provision, if any, in the Note Purchase Agreement-2003, on their part to be performed in such cases. Upon Final Payment, the Master Guaranty shall terminate and be of no further force or effect, except with respect to provisions thereof which by their terms survive the termination thereof, subject to reinstatement as contemplated in Section 10.23.

6.11 AUDITS BY ADMINISTRATIVE AGENT AND LENDERS. Permit Administrative Agent and each Lender or Persons authorized by and acting on behalf of Administrative Agent and each Lender at any time and from time to time during normal business hours to audit the books and records, and inspect any of the property, of each Covered Person from time to time upon reasonable prior notice to such Covered Person, and in the course thereof permit Administrative Agent and each Lender or such Persons to make copies or abstracts of such books and records and discuss the affairs, finances and books and records of such Covered Person with its accountants, bonding and surety companies, officers and employees. Company shall cause each Covered Person to cooperate with Administrative Agent and each Lender and such Persons in the conduct of such

audits and shall deliver to Administrative Agent and such Lender any instrument necessary for Administrative Agent and each Lender to obtain records from any service bureau maintaining records for such Covered Person. The reasonable expenses of Administrative Agent and each Lender incurred in conducting the foregoing audits and inspections, after a Default or Event of Default, shall be reimbursed by Company to Administrative Agent and Lenders.

6.12 ACCESS TO OFFICERS AND AUDITORS. Permit Administrative Agent and each Lender and Persons authorized by them, upon reasonable prior notice and during normal business hours, to discuss the affairs, finances and accounts of such Covered Person with its officers and independent auditors as often as they may reasonably request, and direct such officers and independent auditors to cooperate with them and make full disclosure to them of these matters that they may deem relevant to the continuing ability of Company timely to pay and perform the Obligations.

6.13 FURTHER ASSURANCES. Execute and deliver to Administrative Agent or each Lender such documents and agreements, and shall take or cause to be taken such actions, as Administrative Agent or any Lender may from time to time reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents.

#### SECTION 7. NEGATIVE COVENANTS

Until Final Payment, Company shall not, nor shall it permit (except with respect to Section 7.15) any Covered Person to directly or indirectly:

7.01 INDEBTEDNESS. Create, incur, assume, or allow to exist any Indebtedness unless and only to the extent that:

(a) no Default or Event of Default is (unless waived) continuing or will occur or has occurred or is reasonably likely to occur as a consequence thereof; and

(b) it is Permitted Indebtedness.

7.02 PREPAYMENTS. Voluntarily prepay any Indebtedness other than:

- (a) the Obligations in accordance with the terms of the Loan Documents;
- (b) trade payables in the ordinary course of business;
- (c) required prepayments of the 7.88% Senior Notes, Series A, Due February 14, 2007 of \$110,000,000 aggregate original principal amount that were issued by Company under the Note Purchase Agreement-1997;
- (d) required prepayments of the senior notes that are issued by Company pursuant to the Note Purchase Agreement-2003;
- (e) the Indebtedness listed on Schedule 7.02(e); and

(f) any other Indebtedness up to the aggregate amount of prepayments of \$5,000,000 during the term of this Agreement.

7.03 SECURITY INTERESTS. Create, incur, assume or allow to exist any Security Interest upon all or any part of its property, real or personal, now owned or hereafter acquired, except Security Interests:

(a) for taxes, assessments or governmental charges not delinquent or being diligently contested in good faith and by appropriate proceedings and for which adequate book reserves in accordance with GAAP are maintained;

(b) arising out of pledges and deposits in connection with workers' compensation insurance, unemployment insurance, old age pensions, or other social security or retirement benefits legislation;

(c) arising out of deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature arising in the ordinary course of business;

(d) imposed by any Law, such as mechanics', workmen's, materialmen's, landlords', carriers', or other like Security Interests arising in the ordinary course of business which secure payment of obligations which are not past due or which are being diligently contested in good faith by appropriate proceedings and for which adequate book reserves in accordance with GAAP are maintained;

(e) in favor of Administrative Agent on behalf of Lenders;

(f) that are "Liens" securing Permitted Indebtedness in an amount of up to \$6,000,000.

7.04 ACQUISITIONS. Acquire all or a material part of the assets of a Person, regardless of the form of the transaction, except in a Permitted Acquisition.

7.05 SALE OF PROPERTY. Sell, assign, lease, transfer, abandon or otherwise dispose of any of its property (including without limitation, any shares of capital stock of a Subsidiary owned by Company or another Subsidiary) except for (a) sales of fixed assets which are obsolete, worn-out or otherwise not used or useable in the ordinary course of its business, so long as the net proceeds thereof are used solely to purchase replacement fixed assets of comparable quality and function or to pay or prepay any Permitted Lien encumbering the assets being sold, (b) equipment leased pursuant to a sale and leaseback transaction provided the transaction does not create a Default or Event of Default hereunder, (c) sales or transfers generating net proceeds which in the aggregate during the term of this Agreement do not exceed \$25,000,000, provided however, that to the extent aggregate sales or transfers generate net proceeds in excess of \$5,000,000, such excess must be applied by Company to the reduction of the outstanding balance of either the Loans or the Note Purchase Agreement-2003 or the Note Purchase Agreement-1997, (d) sale of inventory in the ordinary course of business, or (e) sale or transfer of assets between or among Covered Persons, provided such a sale or transfer does not cause a Default or Event of Default hereunder.

7.06 RESTRICTED PAYMENTS. (a) Directly or indirectly declare or make, or incur any liability to make, any Restricted Payment if the same would result in a Default or Event of Default,

and (b) directly or indirectly declare or make, or incur any liability to make, any payment for the acquisition, redemption or retirement of any outstanding stock of Company if the same would exceed in the aggregate during any consecutive four (4)-fiscal quarter period an amount of \$12,000,000.

7.07 MERGERS AND CONSOLIDATIONS. Merge or consolidate with or be a party to a merger with any other Person, or sell, lease or otherwise dispose of all or substantially all of its assets except in a Permitted Acquisition or as permitted in Section 7.05, provided, however, (i) in any merger or consolidation involving Company, Company shall be the surviving or continuing corporation, (ii) in any merger or consolidation involving a Wholly-Owned Subsidiary, the continuing or surviving corporation shall be a Wholly-Owned Subsidiary, and (iii) in any merger or consolidation involving a Subsidiary, the continuing or surviving corporation shall be a Subsidiary.

7.08 CHANGE OF BUSINESS. Engage in any business other than substantially as conducted on the Closing Date by Company or any of its Subsidiaries or a business reasonably related thereto or in furtherance thereof.

7.09 TRANSACTIONS WITH AFFILIATES. Enter into or be a party to any material transaction or arrangement, including the purchase, sale or exchange of property of any kind or the rendering of any service material to the operations of Company and the Subsidiaries taken as a whole, with any Affiliate, or make any loans or advances to any Affiliate except:

(a) transactions with another Covered Person; and

(b) transactions in the ordinary course of business and pursuant to the reasonable requirements of its business and on fair and reasonable terms substantially as favorable to it as those which it could obtain in a comparable arm's length transaction with a non-Affiliate.

7.10 CONFLICTING AGREEMENTS, ETC. Enter into any agreement, engage in any transaction, acquire or create any Subsidiary, or transfer assets to any Subsidiary (whether or not it is actively engaged in a trade or business) that would immediately or in a reasonably foreseeable time result in a Default or Event of Default; or enter into any agreement that would immediately or in a reasonably foreseeable time, if fully complied with or performed by it, result in a Default or Event of Default.

7.11 SALE AND LEASEBACK TRANSACTIONS; OPERATING LEASES.

(a) Enter into any agreement or arrangement with any Person providing for Company or a Covered Person to lease or rent property that Company or a Covered Person has or will sell or otherwise transfer to such Person, except (i) upon terms no less favorable than in an arms-length transaction in which Company or such Covered Person will receive a cash payment upon such sale or transfer equal to the fair market value of such property; and (ii) in compliance with sub-section (b) below.

(b) Enter into Operating Leases which, provide for rental obligations for the remaining terms of the Operating Leases at any time in the aggregate in excess of \$60,000,000, compliance to be measured as of the Closing Date and at the end of each fiscal year of Company.

7.12 FISCAL YEAR. Change its fiscal year.

7.13 TRANSACTIONS HAVING A MATERIAL ADVERSE EFFECT ON A COVERED PERSON. Enter into any transaction which has or is reasonably likely to have a Material Adverse Effect.

7.14 TERMINATION OF PENSION BENEFIT PLAN. Terminate or amend, or permit any ERISA Affiliate of any Covered Person to terminate or amend, any

Pension Benefit Plan maintained by such Covered Person or ERISA Affiliate of such Covered Person if such termination or amendment would result in any liability to such Covered Person or ERISA Affiliate of such Covered Person under ERISA which is reasonably likely to have a Material Adverse Effect or any increase in current liability for the plan year for which such Covered Person or ERISA Affiliate of such Covered Person is required to provide security to such Pension Benefit Plan under the Code which is reasonably likely to have a Material Adverse Effect.

#### 7.15 FINANCIAL COVENANTS.

(a) MINIMUM FIXED CHARGE COVERAGE RATIO. Until Final Payment permit, as at the end of each fiscal quarter, the ratio of (A) Consolidated EBITDA plus Rentals (other than Rentals under Capital Leases) less Capital Expenditures (plus cash proceeds from the sale of assets that must be treated as a capital asset under GAAP), less taxes based on or measured by income, used or included in the determination of Consolidated Net Income from Continuing Operations, all for the four (4)-consecutive fiscal quarter period ending at such date, to (B) Consolidated Fixed Charges, all for such four consecutive fiscal quarter period, to be less than 1.10 to 1.

(b) MINIMUM CONSOLIDATED TANGIBLE NET WORTH. Until Final Payment permit, as at the end of each fiscal quarter, Consolidated Tangible Net Worth to be less than the sum of (a) \$90,000,000, plus (b) 50% of Consolidated Net Income computed on a cumulative basis for each of the elapsed fiscal quarters ending after December 31, 2002; provided that notwithstanding that Consolidated Net Income for any such elapsed fiscal quarter may be a deficit figure, no reduction as a result thereof shall be made on the sum to be maintained pursuant hereto, plus (c) 50% of the net cash proceeds received by a Covered Person from the issuance of any capital stock or other equity interests.

(c) MAXIMUM LEVERAGE RATIO. Until Final Payment permit, as at the end of each fiscal quarter, the ratio of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed 2.25 to 1. In connection with any calculation of Indebtedness for purposes of determining compliance with this subsection, there shall be excluded from such calculation of Consolidated Funded Indebtedness an amount (if positive) equal to the sum of (i) the aggregate amount of all Loans as of the end of such fiscal quarter, minus (ii) the aggregate amount of all Loans as of the last business day of the month immediately following the end of such fiscal quarter.

7.16 LIMITATION ON OPERATIONS OF NON-BORROWER PARTIES. Permit (a) Company and Guarantors to own at any time less than 75% of Consolidated Total Assets and (b) as of the last day of each fiscal quarter, the portion of Consolidated EBITDA attributed to Company and Guarantors for the consecutive four (4)-fiscal quarter period then ended to be less than 75% of Consolidated EBITDA for such period.

### SECTION 8. EVENTS OF DEFAULT AND REMEDIES

8.01 EVENTS OF DEFAULT. Any one or more of the following events shall constitute an Event of Default:

(a) PAYMENT OF PRINCIPAL. Borrower fails to pay any principal on any Outstanding Obligation (other than fees) as and on the date when due; or

(b) PAYMENT OF INTEREST, FEES AND OTHER AMOUNTS. Any Borrower Party fails to pay (i) any interest on any Outstanding Obligation within five days after the date when due or (ii) any other fees or amount due under any Loan Document within five days after notice from Administrative Agent that the same is due; or

(c) REPORTING, AUDITS AND ACCESS COVENANTS AND CERTAIN NEGATIVE COVENANTS. Any default occurs in the observance or performance of any agreement contained in Section 6.01, 6.02(a), (b), (c), (f) or (i), 6.11, 6.12, 7.01, 7.04, 7.06, 7.07, 7.08, 7.12, 7.14, 7.15; or

(d) OTHER DEFAULTS. Any Borrower Party defaults in the performance of or compliance with any term contained in any Loan Document (other than those otherwise referred to in this Section 8) and such default is not remedied within

30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from Administrative Agent or any Lender; or

(e) REPRESENTATIONS AND WARRANTIES. Any representation or warranty contained in Section 5, or which is contained in the Master Guaranty, any Compliance Certificate or any other material certificate furnished at any time under or in connection with any Loan Document proves to have been incorrect in any material respect when made or deemed made; or

(F) CROSS DEFAULT.

(i) Any Borrower Party (x) defaults in any payment when due of principal of or interest on any Indebtedness (other than Indebtedness hereunder) having an aggregate principal amount in excess of \$10,000,000 which default continues unwaived beyond any applicable grace period or (y) defaults in the observance or performance of any other agreement or condition relating to any Indebtedness (other than Indebtedness hereunder) in excess of \$10,000,000 which default continues unwaived beyond any applicable grace period or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, Indebtedness having an aggregate principal amount in excess of \$10,000,000 to be demanded or become due (automatically or otherwise) prior to its stated maturity, or any Guaranty Obligation with respect to Indebtedness in such amount to become payable or cash collateral in respect thereof to be demanded; or

(ii) the occurrence under any Swaps of an Early Termination Date (as defined in such Swaps) resulting from (x) any event of default under such Swaps as to which Company or any Subsidiary is the Defaulting Party (as defined in such Swaps) or (y) the occurrence of any Termination Event under such Swap Contract (as defined therein) as to which Company or any Subsidiary is an Affected Party (as so defined) as a result of which, in either event, the Swap Termination Value owed by Company or such Subsidiary is greater than \$10,000,000; or

(g) BANKRUPTCY; INSOLVENCY; ETC. Any Borrower Party (i) fails to pay, or admits in writing its inability to pay, its debts generally as they become due, or otherwise becomes insolvent (however evidenced); (ii) makes a general assignment for the benefit of creditors; (iii) files a petition in bankruptcy, is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver or any trustee of any Borrower Party or any substantial part of its property; (iv) commences any proceeding relating to any Borrower Party under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (v) has commenced against it any such proceeding which remains undismissed for a period of 60 days, or by any act indicates its consent to, approval of, or acquiescence in any such proceeding or the appointment of any receiver of or any trustee for it or any substantial part of its property, or allows any such receivership or trusteeship to continue undischarged for a period of 60 days; or (vi) takes any corporate action to authorize any of the foregoing; or

(h) JUDGMENTS; ATTACHMENT; ETC. Any one or more judgments or orders is entered against a Covered Person or any attachment or other levy is made against the property of a Covered Person with respect to a claim or claims involving in the aggregate liabilities (not paid or fully covered by insurance, less the amount of deductibles satisfactory to Requisite Lenders) greater than \$3,000,000 becomes final and non-appealable and is not fully discharged within 45 days thereafter, or if timely appealed is not fully bonded and collection thereof stayed pending the appeal; or

(i) PENSION BENEFIT TERMINATION, ETC. Any termination by the PBGC of a Pension Benefit Plan of Company or an ERISA Affiliate of Company or the appointment by the appropriate United States District Court of a trustee to administer any Pension Benefit Plan of Company or an ERISA Affiliate of Company or to liquidate any Pension Benefit Plan of Company or an ERISA Affiliate of Company; or any event which constitutes grounds either for the termination of any Pension Benefit Plan of Company or an ERISA Affiliate of Company by PBGC or for the appointment by the appropriate United States District Court of a trustee



to administer or liquidate any Pension Benefit Plan of Company or an ERISA Affiliate of Company has occurred and is continuing for 30 days after Company has notice of any such event; or any voluntary termination of any Pension Benefit Plan of Company or an ERISA Affiliate of Company which is a defined benefit pension plan as defined in Section 3(35) of ERISA while such defined benefit pension plan has an accumulated funding deficiency, unless Administrative Agent has been notified of such intent to voluntarily terminate such plan and Requisite Lenders have given their consent and agreed that such event shall not constitute an Event of Default; or the plan administrator of any Pension Benefit Plan of Company or an ERISA Affiliate of Company applies under Section 412(d) of the Code for a waiver of the minimum funding standards of Section 412(1) of the Code and Requisite Lenders determine that the substantial business hardship upon which the application for such waiver is based could subject Company or any ERISA Affiliate of Company to a liability in excess of \$3,000,000; or

(j) LIQUIDATION OR DISSOLUTION. Except as permitted by this Agreement, any Borrower Party files a certificate of dissolution under applicable state law or is liquidated or dissolved, or has commenced against it any action or proceeding for its liquidation or dissolution which is not dismissed within 60 days, or takes any corporate action in furtherance thereof; or

(k) SEIZURE OF ASSETS. Any property of any Borrower Party which, in the aggregate, exceeds \$10,000,000 is nationalized, expropriated, seized or otherwise appropriated, or custody or control of such property or of any Covered Person is assumed by any Governmental Authority,

unless the same is being contested in good faith by appropriate proceedings diligently pursued and a stay of enforcement is in effect; or

(l) RACKETEERING PROCEEDING. There is filed against a Covered Person any Criminal action, suit or proceeding under any federal or state racketeering statute (including, without limitation, the Racketeer Influenced and Corrupt Organization Act of 1970), which action, suit or proceeding is not dismissed within 120 days and could result in the confiscation or forfeiture of property of such Covered Person that results or is reasonably likely to result in a Material Adverse Effect; or

(m) LOAN DOCUMENTS. Any Loan Document ceases to be in full force and effect or is terminated, revoked or declared void or invalid; or any Borrower Party denies any further liability under any Loan Document to which it is a party, or asserts that any such Loan Document is unenforceable or void; or

(n) QUALIFIED AUDIT REPORT. Any of the fiscal year-end Financial Statements required under Section 6.01 to be delivered to Administrative Agent contains an audit report which is qualified (other than as permitted in Section 6.01); or

(o) MATERIAL ADVERSE CHANGE. There occurs any event which is reasonably likely to result in any Borrower Party being unable to make payments of principal or interest as required hereunder; or

(p) CHANGE IN CONTROL. There occurs a Change in Control.

8.02 REMEDIES UPON EVENT OF DEFAULT. Without limiting any other rights or remedies of Administrative Agent or Lenders provided for elsewhere in this Agreement, or the other Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default other than an Event of Default described in Section 8.01(g):

(i) Requisite Lenders may request Administrative Agent to, and Administrative Agent thereupon shall, terminate the Commitments and/or declare all or any part of the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be immediately due and payable, whereupon the same shall become and be immediately due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by each Borrower Party; and

(ii) Issuing Lender may, with the approval of Administrative Agent on behalf of Requisite Lenders, but subject to Section 2.03(b), demand immediate payment by Borrower of an amount equal to the aggregate amount of all outstanding Letter of Credit Usage to be held in a Letter of Credit Cash Collateral Account.

(b) Upon the occurrence of any Event of Default described in Section 8.01(g):

(i) the Commitments (including the Swing Line Commitment) and all other obligations of Administrative Agent, Bank of America or other Lenders shall automatically

terminate without notice to or demand upon any Borrower Party, which are expressly waived by Borrower;

(ii) the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be immediately due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by each Borrower Party; and

(iii) subject to Section 2.03(b), an amount equal to the aggregate amount of all outstanding Letter of Credit Usage shall be immediately due and payable to Issuing Lender without notice to or demand upon any Borrower Party, which are expressly waived by each Borrower Party, to be held in a Letter of Credit Cash Collateral Account.

(c) Upon the occurrence of any Event of Default, Lenders and Administrative Agent, or any of them, without notice to (except as expressly provided for in any Loan Document) or demand, which are expressly waived by each Borrower Party (except as to notices expressly provided for in any Loan Document), may proceed to (but only with the consent of Requisite Lenders) protect, exercise and enforce their rights and remedies under the Loan Documents against any Borrower Party and such other rights and remedies as are provided by Law or equity.

(d) Except as permitted by Section 10.05, no Lender may exercise any rights or remedies with respect to the Obligations without the consent of Requisite Lenders in their sole and absolute discretion. The order and manner in which Administrative Agent's and Lenders' rights and remedies are to be exercised shall be as determined by Requisite Lenders in their sole and absolute discretion. Regardless of how a Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder, payments shall be applied first, to costs and expenses (including Attorney Costs) incurred by Administrative Agent and each Lender, second, to the payment of accrued and unpaid interest on the Loans to and including the date of such application, third, to the payment of the unpaid principal of the Loans, and fourth, to the payment of all other amounts (including fees) then owing to Administrative Agent and Lenders under the Loan Documents, in each case paid pro rata to each Lender in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all Lenders, without priority or preference among Lenders. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable and the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of Administrative Agent and Lenders hereunder or thereunder or at Law or in equity.

#### SECTION 9. ADMINISTRATIVE AGENT

##### 9.01 APPOINTMENT AND AUTHORIZATION OF ADMINISTRATIVE AGENT.

(a) Each Lender hereby irrevocably (subject to Section 9.09) appoints, designates and authorizes Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together

with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Issuing Lender shall act on behalf of Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time and except for as long as Administrative Agent may agree at the request of Requisite Lenders to act for such Issuing Lender with respect thereto; provided, however, that Issuing Lender shall have all of the benefits and immunities (i) provided to Administrative Agent in this Section 9 with respect to any acts taken or omissions suffered by Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent" as used in this Section 9 included Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to Issuing Lender.

9.02 DELEGATION OF DUTIES. Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects in the absence of gross negligence or willful misconduct.

9.03 LIABILITY OF ADMINISTRATIVE AGENT. No Administrative Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender for an recital, statement, representation or warranty made by any Borrower Party or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Borrower Party or any Subsidiary or Affiliate thereof.

9.04 RELIANCE BY ADMINISTRATIVE AGENT.

(a) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Borrower Party), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of Requisite Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in

acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of Requisite Lenders or all Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders. Where this Agreement expressly permits or prohibits an action unless Requisite Lenders otherwise determine, and in all other instances, Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

9.05 NOTICE OF DEFAULT. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by Requisite Lenders in accordance with Section 8; provided, however, that unless and until Administrative Agent has received any such direction, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of Lenders.

9.06 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT. Each Lender acknowledges that no Administrative Agent-Related Person has made any representation or warranty to it, and that no act by Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Borrower Party or any of its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender as to any matter, including whether Administrative Agent-Related Persons have disclosed material information in their possession. Each Lender, including any Lender by assignment, represents to Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and

investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower Party and its Subsidiaries and Affiliates, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its written decision to enter into this Agreement and to extend credit to any Borrower Party hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of any Borrower Party and its Subsidiaries and Affiliates. Except for notices, reports and other documents expressly required to be furnished to Lenders by Administrative Agent herein, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Borrower Party or any of its Subsidiaries or Affiliates which may come into the possession of any Administrative Agent-Related Person.

9.07 INDEMNIFICATION OF ADMINISTRATIVE AGENT. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand each Administrative Agent-Related Person (to the extent not reimbursed by or on behalf of any Borrower Party and without limiting the obligation of any Borrower Party to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the

payment to any Administrative Agent-Related Person of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of Requisite Lender shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or out of pocket expenses (including Attorney Costs) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of any Borrower Party. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Administrative Agent.

9.08 ADMINISTRATIVE AGENT IN INDIVIDUAL CAPACITY. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with any Borrower Party and its Subsidiaries and Affiliates as though Bank of America were not Administrative Agent or Issuing Lender hereunder and without notice to or consent of Lenders. Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding any Borrower Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of any Borrower Party or such Affiliate) and acknowledge that Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not Administrative Agent or Issuing Lender.

9.09 SUCCESSOR ADMINISTRATIVE AGENT. Administrative Agent may, and at the request of Requisite Lenders shall, resign as Administrative Agent upon 30 days' notice to Lenders. If Administrative Agent resigns under this Agreement, Requisite Lenders shall appoint from among Lenders a successor administrative agent for Lenders which successor administrative agent shall be subject to the prior written consent of Company at all times other than during the existence of an Event of Default (which approval of Company shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Company, a successor administrative agent from among Lenders, subject to the prior written consent of Company at all times other than during the existence of an Event of Default (which approval of Company shall not be unreasonably withheld or delayed). Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections 10.03 and 10.13 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as Requisite Lenders appoint a successor agent as provided for above. Notwithstanding the foregoing, however, Bank of America may not be removed as Administrative Agent at the request of Requisite Lenders unless Bank of America shall also simultaneously be replaced as "Issuing Lender" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

SECTION 10.  
MISCELLANEOUS

10.01 AMENDMENTS; CONSENTS. (a) No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement

or any other Loan Document, no approval or consent thereunder, and no consent to any departure by any Borrower Party therefrom shall be effective unless in writing signed by Borrower and Requisite Lenders and acknowledged by Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Except as otherwise expressly provided herein, without the approval in writing of Administrative Agent and all Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective to:

(i) Reduce the amount of principal or required principal payments or prepayments of any Outstanding Obligations;

(ii) Reduce the rate of interest payable on any Outstanding Obligations or the amount of any fee or other amount payable to any Lender under the Loan Documents (unless consented to by each Lender entitled to receive such fee or other amount), including in each case, any change in the way any financial covenant used to determine the Applicable Amount is calculated;

(iii) Waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any commitment fee;

(iv) Postpone any date fixed for any payment of principal of, prepayment of principal of, or any installment of interest on, any Loan or any installment of any commitment fee, to extend the term of, or increase the amount of, any Lender's Commitment or the Swing Line Commitment (it being understood that a waiver of any Event of Default not referred to in subsection (iii) above shall require only the consent of Required Lenders) or modify the Pro Rata Share of any Lender;

(v) Amend the definition of "Requisite Lenders" or the provisions of Section 4, Section 9, this Section 10.01 or Section 10.06; or

(vi) Amend any provision of this Agreement that expressly requires the consent or approval of all Lenders;

provided, however, that (x) no amendment, waiver or consent shall, unless in writing and signed by Issuing Lender in addition to Requisite Lenders or all Lenders, as the case may be, affect the rights or duties of Issuing Lender, (y) no amendment, waiver or consent shall, unless in writing and signed by Administrative Agent in addition to Requisite Lenders or all Lenders as the case may be, affect the rights or duties of Administrative Agent, and (z) any fee letters may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto. Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section shall apply equally to, and shall be binding upon, all Lenders and Administrative Agent.

(b) Each Lender acknowledges and agrees that the Note Purchase Agreement-2003 has not been executed and the notes thereunder issued as of the date of this Agreement. The Note Purchase Agreement-2003 is listed as a Permitted Indebtedness on Schedule 5.24. Provided the terms of the Note Purchase Agreement-2003 conform to the parameters set forth below, each Lender authorizes the Administrative Agent to sign and deliver any necessary or appropriate amendment to the Intercreditor Agreement to provide for substantially the same limitations and restrictions, as among the Lenders and the note purchasers signatory to the Note Purchase Agreement-2003, as are provided in the Intercreditor Agreement.

#### Parameters

- Maximum Principal Amount of Notes: \$65,000,000
- No scheduled principal payments prior to the Maturity Date hereunder

#### 10.02 TRANSMISSION AND EFFECTIVENESS OF COMMUNICATIONS AND SIGNATURES.

(a) MODES OF DELIVERY. Except as otherwise provided in any Loan Document, notices, requests, demands, directions, agreements and documents

delivered in connection with the Loan Documents (collectively, "communications") shall be transmitted by Requisite Notice to the number

and address set forth on Schedule 10.02, may be delivered by the following modes of delivery, and shall be effective as follows:

MODE OF DELIVERY -----	EFFECTIVE ON EARLIER OF ACTUAL RECEIPT AND: -----
Courier	Scheduled delivery date
Facsimile	When transmission in legible form complete
Mail	Fourth Business Day after deposit in U.S. mail first class postage pre-paid
Personal delivery	When received
Telephone	When conversation completed
Electronic Mail	When received

provided, however, that communications delivered to Administrative Agent pursuant to Section 2 shall not be effective until actually received by Administrative Agent.

(b) RELIANCE BY ADMINISTRATIVE AGENT AND LENDERS. Administrative Agent and Lenders shall be entitled to rely and act on any communications purportedly given by or on behalf of any Borrower Party even if (i) such communications (A) were not made in a manner specified herein, (B) were incomplete or (C) were not preceded or followed by any other notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any subsequent related communications provided for herein. Company shall indemnify Administrative Agent and Lenders from any loss, cost, expense or liability as a result of relying on any communications permitted herein.

(c) EFFECTIVENESS OF FACSIMILE DOCUMENTS AND SIGNATURES. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such document and signatures shall, subject to applicable Law, have the same force and effect as hard-copies with manual signatures and shall be binding on all Borrower Parties and Administrative Agent and Lenders. Administrative Agent may also require that any such documents and signatures be confirmed by a manually signed hardcopy thereof; provided, however, that the failure to request or deliver any such manually signed hardcopy shall not affect the effectiveness of any facsimile document or signature.

(d) EFFECTIVENESS OF ELECTRONIC MAIL. Electronic mail may be used to distribute routine communications, such as financial statements and other information and to distribute agreements and other documents to be signed by Lenders; provided, however, that no Request for Extension of Credit or executed or legally-binding notice, agreement, waiver, amendment or other communication may be sent by electronic mail.

10.03 ATTORNEY COSTS, EXPENSES AND TAXES. Company agrees (a) to pay or reimburse Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of any amendment, waiver, consent, supplement or modification requested by Company to, any Loan Documents, and any other documents prepared in connection therewith, including all Attorney Costs, and (b) after the occurrence of a Default or

Event of Default (whether or not waived) or in connection with transactions requested by Company, to pay or reimburse Administrative Agent and each Lender for all costs and expenses incurred in connection with any refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement, or preservation of any rights under any Loan Documents, and any other documents prepared in connection herewith or

therewith, or in connection with any refinancing, or restructuring of any such documents in the nature of a "workout" or of any insolvency or bankruptcy proceeding, including Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out of pocket expenses incurred by Administrative Agent and the cost of independent public accountants and other outside experts retained by Administrative Agent or any Lender. The agreements in this Section shall survive repayment of all Obligations.

#### 10.04 BINDING EFFECT; ASSIGNMENT.

(a) This Agreement and the other Loan Documents to which a Borrower Party is a party will be binding upon and inure to the benefit of each Borrower Party, Administrative Agent, Lenders and their respective successors and assigns, except that, no Borrower Party may assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of all Lenders and any such attempted assignment shall be void. Any Lender may at any time pledge its Note or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank, but no such pledge shall release such Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Commitment and/or Extensions of Credit; provided that (i) such assignment, if not to a Lender or an Affiliate of the assigning Lender, shall be subject to the prior written consent of Company at all times other than during the existence of a Default or Event of Default and by Administrative Agent, and Issuing Lender (which approval of Company shall not be unreasonably withheld or delayed), (ii) a copy of a duly signed and completed Assignment and Acceptance shall be delivered to Administrative Agent, (iii) except in the case of an assignment (A) to an Affiliate of the assigning Lender or to another Lender or (B) of the entire remaining Commitment of the assigning Lender, the portion of the Commitment assigned shall not be less than \$5,000,000, (iv) the effective date of any such assignment shall be as specified in the Assignment and Acceptance, but not earlier than the date which is five Business Days after the date Administrative Agent has received the Assignment and Acceptance and (v) such assignee Lender shall become a "Creditor" under and as defined in the Intercreditor Agreement by executing and delivering a counterpart thereof and complying with the provisions thereof. Upon obtaining any consent required as set forth in the prior sentence and payment of the requisite fee described below, the assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement. Borrower agrees that it shall execute and deliver upon request (against delivery by the assigning Lender to Borrower of any Note) to such assignee Lender, one or more Notes evidencing such assignee Lender's Loans, and to the assigning Lender, if requested, one or more Notes evidencing Loans under any Commitment retained by the assigning Lender. Administrative Agent's consent to any assignment shall not be deemed to constitute any representation or warranty by any Administrative Agent-Related Person as to any matter. For purposes hereof, each mutual fund that is an Affiliate of a Lender shall be deemed to be

a single Eligible Assignee, whether or not such fund is managed by the same fund manager as other mutual funds that are Affiliates of the same Lender.

(c) After receipt of a completed Assignment and Acceptance, and receipt of an assignment fee of \$3,500 from such Eligible Assignee (including in the case of assignments to Affiliates of assigning Lenders), Administrative Agent shall, promptly following the effective date thereof, provide to Company and Lenders a revised Schedule 10.02 giving effect thereto.

(d) Each Lender may from time to time, without the consent of any other Person, grant participations to one or more other Person (including another Lender) all or any portion of its Pro Rata Share of its Commitment and/or Extensions of Credit; provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose except, if the participation agreement so provides, for the purposes of Section 3 (but only to the extent



that the cost of such benefits to Company does not exceed the cost which Company would have incurred in respect of such Lender absent the participation) and subject to Sections 10.05 and 10.06, (iv) Borrower, Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the participation agreement shall not restrict an increase in the combined Commitments or in the granting Lender's Commitment or Pro Rata Share, so long as the amount of the participation interest is not increased, and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents; provided, however, that the assigning Lender may, in any agreement with a participant, give such participant the right to consent to any matter which (A) extends the Maturity Date as to such participant or any other date upon which any payment of money is due to such participant, (B) reduces the rate of interest owing to such participant, any fee or any other monetary amount owing to such participant, or (C) reduces the amount of any installment of principal owing to such participant. Any Lender that sells a participation to any Person that is a "foreign corporation, partnership or trust" within the meaning of the Code shall include in its participation agreement with such Person a covenant by such Person that such Person will comply with the provisions of Section 10.21 as if such Person were a Lender and provide that Administrative Agent and Borrower shall be third party beneficiaries of such covenant.

10.05 SET OFF. In addition to any rights and remedies of Administrative Agent and Lenders or any assignee or participant of any Lender or any Affiliate thereof (each a, "Proceeding Party") provided by law, upon the occurrence and during the continuance of any Event of Default, each Proceeding Party is authorized at any time and from time to time, without prior notice to any Borrower Party, any such notice being waived by Borrower Parties to the fullest extent permitted by law, to proceed directly, by right of set off, banker's lien or otherwise, against any assets of the Borrower Parties which may be in the hands of such Proceeding Party (including all general or special, time or demand, provisional or other deposits and other indebtedness owing by such Proceeding Party to or for the credit or the account of Borrower) and apply such assets against the Obligations, irrespective of whether such Proceeding Party shall have made any demand therefor and although such Obligations may be unmaturred. Each Lender agrees promptly to notify Company and Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set off and application.

10.06 SHARING OF PAYMENTS. Each Lender agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against any Borrower Party or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender receives in payment of the Obligations held by such other Lender, then, subject to applicable Laws: (a) such Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by a Borrower Party or any Person claiming through or succeeding to the rights of a Borrower Party, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligation purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien

or counterclaim with respect to the participation as fully as if Lender were the original owner of the Obligation purchased.

10.07 NO WAIVER; CUMULATIVE REMEDIES.

(a) No failure by any Lender or Administrative Agent to exercise, and no delay by any Lender or Administrative Agent in exercising, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

(b) The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law. Any decision by Administrative Agent or any Lender not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document or to calculate any amount payable by a particular method on any occasion shall in no way limit or be deemed a waiver of Administrative Agent's or such Lender's right to require full payment thereof, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

(c) Except with respect to Section 9.09, the terms and conditions of Section 9 are for the sole benefit of Administrative Agent and Lenders.

10.08 USURY. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excessive interest shall be applied to the principal of the Outstanding Obligations or, if it exceeds the unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

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

10.10 INTEGRATION. This Agreement, together with the other Loan Document is and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of Administrative Agent or Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.11 NATURE OF LENDERS' OBLIGATIONS. Nothing contained in this Agreement or any other Loan Document and no action taken by Administrative Agent or Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make Lenders a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Lender's obligation to make any Extension of Credit pursuant hereto is several and not joint or joint and several. A default by any Lender will not increase the Pro Rata Share attributable to any other Lender.

10.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any other Loan Document, certificate or statement delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery thereof. Such representations and warranties have been or will be relied upon by Administrative Agent and each Lender, notwithstanding any investigation made by

Administrative Agent or any Lender or on their behalf.

10.13 INDEMNITY BY BORROWERS.

(a) Borrower agrees to indemnify, save and hold harmless each Administrative Agent-Related Person and each Lender and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively the "Indemnitees") from and against: (i) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or

cause of action that such Person asserts or may assert against any Borrower Party, any of their Affiliates or any of their officers or directors; (ii) any and all claims, demands, actions or causes of action (other than by Administrative Agent or any Lender) arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use or contemplated use of the proceeds of any Loan, or the relationship of any Borrower Party, Administrative Agent and Lenders under this Agreement; (iii) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (i) or (ii) above; and (iv) any and all liabilities, losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, whether or not arising out of the negligence of an Indemnitee, except as aforesaid, whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding (all the foregoing, collectively, the "Indemnified Liabilities"); provided that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. The foregoing indemnity shall not extend to any indirect or consequential damages except to the extent such damages are recoverable under a third-party claim against an Indemnitee. The agreements in this Section shall survive repayment of all Obligations.

(b) Promptly after receipt by an Indemnitee of a notice of the commencement of any action or proceeding that may give rise to indemnification hereunder, such Indemnitee will notify Administrative Agent, who shall promptly notify Company. Company shall have the right to undertake, conduct and control through counsel of its own choosing (which counsel shall be reasonably acceptable to the Indemnitees) and at the sole expense of Company, the conduct and settlement of any Indemnified Liabilities, and the Indemnitees shall cooperate with Company in connection therewith; provided that Company shall permit any Indemnitee to participate in such conduct and settlement through counsel chosen by such Indemnitee, but the fees and expenses of such counsel shall be borne by such Indemnitee. Notwithstanding the foregoing, if the interests of Company and any Indemnitee become adverse in any such claim or course of action, such Indemnitee shall have the right to employ its own counsel, and the reasonable fees and expenses of such counsel shall be at Company's costs and expense. Borrower shall not be liable for any settlement of any claim or action effected without its prior written consent, such consent not to be unreasonably withheld.

10.14 NONLIABILITY OF LENDERS. Borrower acknowledges and agrees that:

(a) Any inspections of any property of any Borrower Party made by or through Administrative Agent or Lenders are for purposes of administration of the Loan Documents only, and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to Administrative Agent or Lenders pursuant to the Loan Documents, neither Administrative Agent nor Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by Administrative Agent or Lenders;

(c) The relationship between Borrower and Administrative Agent and Lenders is, and shall at all times remain, solely that of borrowers and lenders; neither Administrative Agent nor any Lender shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither Administrative Agent nor any Lender undertakes or assumes any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by Administrative Agent or any Lender in connection with such matters is solely for the protection of Administrative Agent and Lenders and neither Borrower nor any other Person is entitled to rely thereon; and

(d) Neither Administrative Agent nor any Lender shall be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of Borrower and/or its Affiliates, and Borrower hereby indemnifies and holds Administrative Agent and Lenders harmless from any such loss, damage, liability or claim subject to the procedures and limitations governing indemnification under Section 10.13.

10.15 NO THIRD PARTIES BENEFITED. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, Administrative Agent and Lenders in connection with the Extensions of Credit, and is made for the sole benefit of Borrower, Administrative Agent and Lenders, and Administrative Agent's and Lenders' successors and assigns. Except as provided in Sections 10.04 and 10.13, no other Person shall have any rights of any nature hereunder or by reason hereof.

10.16 SEVERABILITY. Any provision of the Loan Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.17 CONFIDENTIALITY. Administrative Agent and each Lender shall use any confidential non-public information concerning the Borrower Parties and their Subsidiaries that is furnished to Administrative Agent or such Lender by or on behalf of the Borrower Parties and their Subsidiaries in connection with the Loan Documents (collectively, "Confidential Information") solely for the purpose of evaluating and providing products and services to them and administering and enforcing the Loan Documents, and it will hold the Confidential Information in confidence. Notwithstanding the foregoing, Administrative Agent and each Lender may disclose Confidential Information (a) to their affiliates or any of their affiliates' directors, officers, employees, auditors, counsel, advisors, or representatives (collectively, the "Representatives") whom it determines need to know such information for the purposes set forth in this Section; (b) to any bank or financial institution or other entity to which such Lender has assigned or desires to assign an interest or participation in the Loan Documents or the Obligations, provided that any such foregoing recipient of such Confidential Information agrees to keep such Confidential Information confidential as specified herein; (c) to any governmental agency or regulatory body having or claiming to have authority to regulate or oversee any aspect of Administrative Agent's or such Lender's business or that of their

Representatives in connection with the exercise of such authority or claimed authority; (d) to the extent necessary or appropriate to effect or preserve Administrative Agent's or such Lender's or any of their Affiliates' security (if any) for any Obligation or to enforce any right or remedy or in connection with any claims asserted by or against Administrative Agent or such Lender or any of their Representatives; and (e) pursuant to any subpoena or any similar legal process. For purposes hereof, the term "Confidential Information" shall not include information that (x) is in Administrative Agent's or a Lender's possession prior to its being provided by or on behalf of the Borrower Parties, provided that such information is not known by Administrative Agent or such Lender to be subject to another confidentiality agreement with, or other legal

or contractual obligation of confidentiality to, a Borrower Party, (y) is or becomes publicly available (other than through a breach hereof by Administrative Agent or such Lender), or (z) becomes available to Administrative Agent or such Lender on a nonconfidential basis, provided that the source of such information was not known by Administrative Agent or such Lender to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information.

10.18 FURTHER ASSURANCES. Each Borrower Party shall, and shall cause its Subsidiaries to, at their expense and without expense to Lenders or Administrative Agent, do, execute and deliver such further acts and documents as any Lender or Administrative Agent from time to time reasonably requires for the assuring and confirming unto Lenders or Administrative Agent of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

10.19 HEADINGS. Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

10.20 TIME OF THE ESSENCE. Time is of the essence of the Loan Documents

10.21 FOREIGN LENDERS. Each Lender that is a "foreign corporation, partnership or trust" within the meaning of the Code shall deliver to Administrative Agent and Company, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either Form W-8BEN or any successor thereto (relating to such Person and entitling it to a complete exemption from withholding on all payments to be made to such Person by Borrower pursuant to this Agreement) or Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by Borrower pursuant to this Agreement) of the IRS or such other evidence satisfactory to Borrower and Administrative Agent that no withholding under the federal income tax laws is required with respect to such Person. Thereafter and from time to time, each such Person shall (a) promptly submit to Administrative Agent and Company such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrower and Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Borrower pursuant to this Agreement, and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that Borrower make any deduction or withholding for taxes from amounts

payable to such Person. If such Person fails to deliver the above forms or other documentation, then Administrative Agent or Borrower may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that Administrative Agent or Borrower did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify Administrative Agent therefor, including all penalties and interest and costs and expenses (including Attorney Costs) of Administrative Agent and Borrower. The obligation of Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of Administrative Agent.

10.22 COMPELLED RETURN OF PAYMENTS OR PROCEEDS. If Administrative Agent or any Lender is for any reason compelled to surrender any payment from Borrower because such payment is for any reason invalidated, declared fraudulent, set aside, or determined to be void or voidable as a preference, an impermissible setoff, or a diversion of trust funds, then each Loan Document and the Obligations to which such payment was applied or intended to be applied shall be revived with respect thereto as if such application was never made; and Borrower shall be liable to pay to Administrative Agent and Lenders, and shall indemnify Administrative Agent and Lenders for, and hold Administrative Agent and Lenders harmless from, any loss with respect to, the amount of such payment surrendered. This Section shall be effective notwithstanding any contrary action Administrative Agent or any Lender may take in reliance upon its receipt of any

such payment. Any such contrary action so taken by Administrative Agent or any Lender shall be without prejudice to Administrative Agent's and Lender's rights under this Agreement and shall be deemed to have been conditioned upon the application of such payment having become final and indefeasible. The provisions of this Section shall survive termination of the Commitment, the expiration of the Letters of Credit and the payment and satisfaction of all Obligations.

10.23 GOVERNING LAW.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MISSOURI APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF MISSOURI SITTING IN THE COUNTY OF ST. LOUIS OR OF THE UNITED STATES FOR THE EASTERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH BORROWER PARTY, ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH BORROWER PARTY, ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. EACH BORROWER PARTY, ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF

ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.24 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.25 ORAL AGREEMENTS. 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) AND US (LENDERS) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

10.26 CREDIT AGREEMENT. This Agreement supercedes in its entirety the Multicurrency Credit Agreement dated as of March 30, 2000.

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

INSITUFORM TECHNOLOGIES, INC.

By: /s/ Joseph A. White

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Name: Joseph A. White  
Title: VP CFO

BANK OF AMERICA, N.A., as  
Administrative Agent

By: /s/ David A. Johanson

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Name: David A. Johanson

Title: Vice President

BANK OF AMERICA, N.A., as  
a Lender, and Issuing Lender

By: /s/

-----  
Name:  
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Michael A. Flavin, Jr.

-----  
Name: Michael A. Flavin, Jr.  
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as a Lender

By: /s/

-----  
Name:  
Title: Vice President

COMMERCE BANK, N.A., as  
a Lender

By: /s/ Mary Ann Lemonds

-----  
Name: Mary Ann Lemonds  
Title: Vice President

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INSITUFORM TECHNOLOGIES, INC.

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THIRD AMENDMENT  
Dated as of February 28, 2003

to

NOTE PURCHASE AGREEMENTS  
Dated as of February 14, 1997  
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Re: \$110,000,000 7.88% Senior Notes, Series A,  
Due February 14, 2007

=====  
THIRD AMENDMENT TO NOTE PURCHASE AGREEMENTS

THIS THIRD AMENDMENT dated as of February 28, 2003 (the or this "Third Amendment") to the Note Purchase Agreements, each dated as of February 14, 1997, is between INSITUFORM TECHNOLOGIES, INC., a Delaware corporation (the "Company"), and each of the institutions which is a signatory to this Third Amendment (collectively, the "Noteholders").

RECITALS:

A. The Company and each of the Noteholders have heretofore entered into separate and several Note Purchase Agreements, each dated as of February 14, 1997 as amended by the First Amendment to the Note Purchase Agreements dated as of August 20, 1997 and as further amended by the Second Amendment to Note Purchase Agreements dated as of March 30, 2000 (collectively, the "Note Agreements"), pursuant to which the Company has heretofore issued its 7.88% Senior Notes, Series A, due February 14, 2007, in the aggregate principal amount of \$110,000,000 (the "Notes"). The Noteholders are the holders of 100% of the outstanding principal amount of the Notes.

B. The Company and the Noteholders now desire to amend the Note Agreements in the respects, but only in the respects, hereinafter set forth in order to reflect certain agreements between the Company and the Noteholders.

C. Capitalized terms used herein shall have the respective meanings



ascribed thereto in the Note Agreements unless herein defined or the context shall otherwise require.

D. All requirements of law have been fully complied with and all other acts and things necessary to make this Third Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Third Amendment set forth in Section 3.1 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

#### SECTION 1. AMENDMENTS.

Section 1.1. The definition of "Loan Agreement" in Exhibit B of the Note Agreement is hereby deleted in its entirety.

Section 1.2. The definition of "Priority Debt" in Exhibit B of the Note Agreement is hereby deleted in its entirety and replaced by the following:

"Priority Debt" means, as of the date of any determination thereof, the sum (without duplication) of (a) Indebtedness of Subsidiaries on such date, other than (i) Indebtedness owing to the

Company or any Wholly-owned Subsidiary and (ii) any Guaranty by any Subsidiary of unsecured Indebtedness of the Company or any other Subsidiary so long as such Subsidiary provides a Subsidiary Guaranty and complies with the requirements of Section 9.8 hereof, and (b) Indebtedness of the Company and its Subsidiaries secured by Liens permitted by Section 10.5(1)."

Section 1.3. The definition of "Specified Subsidiary Indebtedness" in Exhibit B of the Note Agreement is hereby deleted in its entirety.

Section 1.4. The second to last sentence of paragraph "E." of the Intercreditor Agreement is hereby amended in its entirety to read as follows:

"The Bank Guaranty, the Noteholder Guaranty and any other Guaranty executed by a Subsidiary of the Company for the benefit of a Creditor which becomes a party to this Agreement pursuant to ss.3.4 of this Agreement are hereinafter referred to collectively as the "Subsidiary Agreements".

#### SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Section 2.1. To induce the Noteholders to execute and deliver this Third Amendment, the Company represents and warrants (which representations shall survive the execution and delivery of this Third Amendment) to the Noteholders that:

(a) this Third Amendment has been duly authorized, executed and delivered by it and this Third Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the Note Agreements, as amended by this Third Amendment, constitute the legal, valid and binding obligations, contracts and agreements of the Company enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(c) the execution, delivery and performance by the Company of this Third Amendment (i) has been duly authorized by all requisite

corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or

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constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c), other than any violation, breach or default which individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect; and

(d) as of the date hereof and after giving effect to this Third Amendment, no Default or Event of Default has occurred which is continuing.

### SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS THIRD AMENDMENT.

Section 3.1. This Third Amendment shall not become effective until, and shall become effective when, each and every one of the following conditions shall have been satisfied:

(a) executed counterparts of this Third Amendment, duly executed by the Company and the holders of at least 66-2/3% of the outstanding principal of the Notes, shall have been delivered to the Noteholders;

(b) executed copies of a consent to this Agreement shall have been duly executed by the Subsidiaries which are parties to the Subsidiary Guaranties;

(c) executed counterparts of an amendment to the Intercreditor Agreement reflecting the amendment set forth in Section 1.4 of this Agreement shall have been duly executed and delivered by the Bank, the Company and each Subsidiary delivering a Guaranty to the Noteholders and the Bank, and shall have been delivered to the Noteholders; and

(d) the representations and warranties of the Company set forth in Section 2 hereof are true and correct on and with respect to the date hereof and a certificate of a Responsible Officer certifying the same shall have been delivered to the Noteholders.

Upon receipt of all of the foregoing, this Third Amendment shall become effective. Delivery of this Third Amendment to the Company, duly executed by the holders of at least 66-2/3% of the outstanding principal amount of the Notes, shall acknowledge satisfaction of the foregoing conditions.

### SECTION 4. PAYMENT OF NOTEHOLDERS' COUNSEL FEES AND EXPENSES.

Section 4.1. The Company agrees to pay upon demand, the reasonable fees and expenses of Chapman and Cutler, counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this Third Amendment.

### SECTION 5. MISCELLANEOUS.

Section 5.1. This Third Amendment shall be construed in connection with and as part of each of the Note Agreements, and except as modified and expressly amended by this Third

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Amendment, all terms, conditions and covenants contained in the Note Agreements and the Notes are hereby ratified and shall be and remain in full force and effect.

Section 5.2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Third Amendment may refer to the Note Agreements without making specific reference to this Third Amendment but nevertheless all such references shall include this Third Amendment unless the context otherwise requires.

Section 5.3. The descriptive headings of the various Sections or parts of this Third Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

Section 5.4. This Third Amendment shall be governed by and construed in accordance with Illinois law.

Section 5.5. The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Third Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

INSITUFORM TECHNOLOGIES, INC.

By /s/ Joseph A. White  
-----  
Its Vice President and Chief Financial Officer  
-----

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Accepted and agreed to as of the date first written above:

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By /s/  
-----  
Its AUTHORIZED REPRESENTATIVE  
-----

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC, a  
Delaware limited liability company,  
Authorized Signatory

By /s/ DEBRA SVOBODA EPP  
-----  
Its COUNSEL  
-----

By /s/ CLINT WOODS  
-----  
Its COUNSEL  
-----

ALLSTATE LIFE INSURANCE COMPANY

By /s/ RHONDA L. HOPPS  
-----

By /s/ JERRY D. ZINKULA  
-----  
Authorized Signatories

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CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc.

By /s/ SEAN M. FEELEY  
-----  
Its VICE PRESIDENT  
-----

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA Investments, Inc.

By /s/ SEAN M. FEELEY  
-----  
Its VICE PRESIDENT  
-----

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

By: CIGNA Investments, Inc.

By /s/ SEAN M. FEELEY  
-----  
Its VICE PRESIDENT  
-----

JEFFERSON PILOT FINANCIAL INSURANCE COMPANY  
(successor by merger to Alexander Hamilton  
Life Insurance Company of America)

By /s/  
-----  
Its VICE PRESIDENT  
-----

ALEXANDER HAMILTON LIFE INSURANCE COMPANY OF  
AMERICA

By /s/  
-----  
Its VICE PRESIDENT  
-----

RELIASTAR LIFE INSURANCE COMPANY,  
successor by merger to Northern Life  
Insurance Company  
RELIASTAR LIFE INSURANCE COMPANY,  
successor by merger to ReliaStar United  
Services Life Insurance Company  
RELIASTAR BANKERS SECURITY LIFE INSURANCE  
COMPANY  
RELIASTAR LIFE INSURANCE COMPANY

By: ING Investment Management LLC, as Agent

By /s/ JAMES V. WITTICH

-----  
Its SENIOR VICE PRESIDENT  
-----

ACE PROPERTY & CASUALTY INSURANCE COMPANY

By: Stein Roe & Farnham Incorporated, as agent

By /s/ RICHARD A. HEGWOOD

-----  
Name: Richard A. Hegwood  
Title: Senior Vice President

THE SECURITY FINANCIAL LIFE INSURANCE CO.  
(f/k/a The Security Mutual Life Insurance  
Company of Lincoln, Nebraska)

By /s/ KEVIN W. HAMMOND

-----  
Its VICE PRESIDENT - CHEIF INVESTMENT OFFICER  
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## MASTER GUARANTY

This MASTER GUARANTY ("Guaranty"), dated as of March 27, 2003, is made by each of the corporations from time to time party hereto (each, in its capacity hereunder, a "Guarantor" and collectively "Guarantors"), jointly and severally in favor of the Guaranteed Parties referred to below with reference to the following facts:

## RECITALS

A. Pursuant to that Credit Agreement dated as of March 27, 2003 among Insituform Technologies, Inc., a Delaware corporation ("Company"), each lender from time to time party thereto, and BANK OF AMERICA, N.A., as Administrative Agent and Issuing Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement;" the Lenders, the Issuing Lender and the Administrative Agent (collectively, the "Guaranteed Parties") are making certain credit facilities available to Borrowers.

B. As a condition to the availability of such credit facilities, Guarantors are required to enter into this Master Guaranty and to guaranty the Guaranteed Obligations as hereinafter provided.

C. Guarantors expect to realize direct and indirect benefits as the result of the availability of the aforementioned credit facilities to Borrowers, as the result of financial or business support which will be provided to the Guarantors by Borrowers.

## AGREEMENT

NOW, THEREFORE, in order to induce the Guaranteed Parties to extend the aforementioned credit facilities, and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, Guarantors hereby covenant, agree and guaranty as follows:

1. GENERAL. Unless the context of this Guaranty clearly requires otherwise, (a) references to the plural include the singular and vice versa, (b) references to any Person include such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Guaranty, (c) references to one gender include all genders, (d) "including" is not limiting, (e) "or" has the inclusive meaning represented by the phrase "and/or," (f) the words "hereof", "herein", "hereby", "hereunder" and similar terms in this Guaranty refer to this Guaranty as a whole, including its Exhibits, and not to any particular provision of this Guaranty, (g) the word "Section" or "section" and "Page" or "page" refer to a section or page, respectively, of this Guaranty unless it expressly refers to something else, (h) reference to any agreement, document, or instrument, including this Guaranty, any other Loan Document and any agreement, document or instrument defined herein, means such agreement, document, or instrument as it may have been or may be amended, restated, extended, renewed, replaced, or otherwise modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof, and includes all attachments thereto and instruments incorporated therein, if any, and (i) general and specific references to any Law means such Law as amended, modified, codified or reenacted, in whole or in

part, and in effect from time to time. Section captions are for convenience only and do not affect the interpretation or construction of this Guaranty.

2. DEFINITIONS. All capitalized terms not otherwise defined herein have the meanings given them in the Credit Agreement.

3. ACKNOWLEDGEMENT OF CAPACITY AS A COVERED PERSON UNDER THE CREDIT AGREEMENT. Each Guarantor acknowledges that it has reviewed the Credit Agreement and agrees that it is a "Covered Person" (as that term is defined in the Credit Agreement and used in the Credit Agreement and the other Loan Documents). All of the representations and warranties, covenants, and agreements contained in the Credit Agreement and the other Loan Documents which are applicable to a Covered Person are incorporated into this Guaranty by this reference and each Guarantor, as such a Covered Person, hereby makes such

representations and warranties to, and makes such covenants and agreements with, the Guaranteed Parties. Each Guarantor further acknowledges and agrees that the failure of a Guarantor to comply with any terms of the Credit Agreement or the other Loan Documents applicable to such Guarantor as a Covered Person will, subject to the terms of the Credit Agreement, result in a Default and/or Event of Default under the Credit Agreement and the other Loan Documents, entitling the Guaranteed Parties to all of their remedies thereunder and under applicable law and in equity.

4. GUARANTY.

(a) UNLIMITED GUARANTY OF PAYMENT AND PERFORMANCE. Guarantors hereby jointly and severally guaranty to the Guaranteed Parties, for the benefit of the Guaranteed Parties, the full and prompt payment and performance of all Obligations of Company, any Subsidiary Borrower and any other Borrower Party at any time and from time to time owed to the Guaranteed Parties under one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, including obligations of performance as well as obligations of payment, and including interest that accrues after the commencement of any bankruptcy or insolvency proceeding by or against any Borrower, any Guarantor or any other Person (collectively, the "Guaranteed Obligations"). Subject to Section 21, each Guarantor understands and acknowledges that there is no limit on the Guaranteed Obligations.

(b) CURRENCY OF PAYMENT. Payments hereunder in respect of any Guaranteed Obligations shall be made in the currencies in which such Guaranteed Obligation is denominated (each, an "Obligation Currency"), or if Administrative Agent so notifies Company in writing, at the Guaranteed Parties' sole and absolute discretion, the greater of (i) the Equivalent Amount of such Guaranteed Obligation or any portion thereof, determined as of the date or dates such Guaranteed Obligation was incurred by any Obligor, or (ii) such Equivalent Amount in Dollars determined as of the date payment is made hereunder.

(c) NATURE OF GUARANTY. This is a continuing, absolute and unconditional guaranty of payment and performance and not merely of collection. Each Guarantor's liability with respect to the Guaranteed Obligations is primary, not secondary. Upon the occurrence of any Event of Default and at any time thereafter, the Guaranteed Parties may proceed directly against any Guarantor without first proceeding against any Borrower, any other Person liable for the payment or performance of the Guaranteed Obligations, or any collateral or other security for the Guaranteed Obligations. The Guaranteed Parties will not be required to mitigate damages or take any other

action to reduce, collect or enforce the Guaranteed Obligations. Only upon Final Payment shall this Guaranty be released, subject to being automatically reinstated as provided in Section 7 herein.

(d) PLACE FOR PERFORMANCE. All obligations of Guarantors under this Guaranty are performable and payable at the Lending Office.

5. NO RELEASE OF GUARANTORS. Each Guarantor's liability under this Guaranty will not be reduced, extinguished, discharged or released by, and no Guarantor is entitled to raise as a defense, any:

(a) invalidity, irregularity or unenforceability of the Guaranteed Obligations, any Borrower's Obligations or other obligations under the Loan Documents to which it is a party, or of such Guarantor's obligations under the Loan Documents to which it is a party, including this Guaranty;

(b) existing or future offset, claim, counterclaim or defense of any Borrower, such Guarantor or any other party against the Guaranteed Parties or against payment of the Obligations or the Guaranteed Obligations (whether such offset, claim, counterclaim or defense arises in connection with the Obligations or the Guaranteed Obligations or the transactions creating the Obligations or the Guaranteed Obligations or otherwise);

(c) failure of such Guarantor to be given notice of a Default or Event of Default by any Borrower;

(d) waivers of Defaults or Events of Default or other waivers under the Loan Documents;

(e) extensions of due dates for payments, modifications of interest rates or other payment terms with respect to the Guaranteed Obligations or any other accommodation, indulgence or forbearance granted to any Borrower;

(f) reorganization, merger or consolidation of any Borrower or such Guarantor into or with any other Person;

(g) release of or non-perfection with respect to any or all of any collateral or any other security for the Guaranteed Obligations;

(h) taking or accepting of any other security or collateral for, or guaranty of, any or all of the Guaranteed Obligations;

(i) the death of or release of, or settlement or compromise with, any one or more other Persons who have guaranteed, or are otherwise liable for the payment or performance of, any or all of the Guaranteed Obligations;

(j) assignment or other transfer of, or granting of a participation in, any of the Guaranteed Obligations or any collateral or other security therefor, by the Guaranteed Parties;

(k) other acts or omissions which, in the absence of this Section 5 would operate so as to reduce, extinguish, discharge or release such Guarantor's liability under this Guaranty (except for the full and indefeasible payment of the Guaranteed Obligations, cancellation or termination of the Commitment, expiration of all Letters of Credit, and termination of any other commitment to extend credit or make advances to or for the account of any Borrower).

#### 6. WAIVERS.

(a) NOTICE. Each Guarantor hereby waives notice of (i) acceptance of this Guaranty, (ii) any amendment, restatement or other modification of any of the Loan Documents (including modifications to interest rates or other payment terms of the Guaranteed Obligations), (iii) Extensions of Credit to any Borrowers by the Guaranteed Parties and fundings of Extensions of Credit to any Borrower by the Guaranteed Parties, (iv) the occurrence of a Default or Event of Default, (v) any matter referred to in Section 5 of this Guaranty, and (vi) any other action at any time taken or omitted by the Guaranteed Parties, and generally, all demands and notices of every kind in connection with this Guaranty and the Loan Documents, except as expressly provided herein and in the Credit Agreement.

(b) RIGHT OF CONTRIBUTION, ETC. Each Guarantor hereby waives any right of contribution, subrogation, reimbursement, indemnity, or repayment, and any other "claim", as that term is defined in the United States Bankruptcy Code, which such Guarantor might now have or hereafter acquire against any Borrower or any other Person liable for the payment or performance of the Obligations (other than pursuant to this Guaranty) that arises from the existence or performance of such Guarantor's obligations under this Guaranty; and such Guarantor waives the right to participate in any existing or future collateral or other security for the Guaranteed Obligations. Each Guarantor further agrees that such Guarantor will not enter into any agreement providing, directly or indirectly, for any contribution, subrogation, reimbursement, indemnity or repayment by Borrowers on account of any payment made by such Guarantor hereunder, and that any such agreement would be void. Until payment in full of all Obligations and termination of the Commitment, no Guarantor has any right of contribution, subrogation, reimbursement, indemnity or repayment and no right of recourse to or with respect to any assets or property of any other guarantor (including any Guarantor) or other Person liable for any of the Guaranteed Obligations (other than pursuant to Section 20 below).

(c) OTHER. Each Guarantor hereby waives (i) diligence, presentment, demand for payment, protest or notice, whether of nonpayment, dishonor, protest or otherwise, (ii) any and all claims, counterclaims or defenses based upon, related to or arising out of (a) any matter referred to in Section 5 of this Guaranty, (b) any issue as to whether any sale or other disposition of any security for the Guaranteed Obligations was conducted in a commercially reasonable fashion, (c) any election of remedies by the Guaranteed Parties, and (d) a theory that this Guaranty should be strictly construed against the Guaranteed Parties, and (iv) all other defenses (except payment in full of all Obligations and termination of the Commitment), including any statute(s) of limitations, under applicable Law that would, but for this clause



(iv), be available to such Guarantor as a defense against, or a reduction, extinguishment, discharge or release of its obligations under, this Guaranty.

7. REINSTATEMENT OR GUARANTY IN CERTAIN CIRCUMSTANCES. Each Guarantor agrees that, if any or all of a payment made by or on behalf of Borrowers of any Guaranteed Obligation is returned by any Person at any time for any reason, including pursuant to any settlement, order

(whether or not final) of a court of competent jurisdiction, provision of any Debtor Relief Law or other applicable Law or because of acts or omissions of Borrowers, the Guaranteed Obligations will not be deemed to have been satisfied to the extent of the returned payment and the obligations of such Guarantor will be deemed to be reinstated automatically and to continue in full force and effect. If any Borrower ceases to be liable to the Guaranteed Parties for any of the Obligations (other than by reason of payment in full of all Obligations and termination of the Commitment), then any prior release or discharge from this Guaranty will be without effect and this Guaranty and the obligations of each Guarantor hereunder will be automatically reinstated and continue in full force and effect.

8. REPRESENTATIONS AND WARRANTIES. Each Guarantor represents and warrants to the Guaranteed Parties as follows:

(a) AUTHORIZATION. Each Guarantor is duly authorized to execute and perform this Guaranty, and this Guaranty has been properly authorized by all requisite corporate, membership, or partnership action (as the case may be) of such Guarantor. No consent, approval or authorization of, or declaration or filing with, any Governmental Authority or any other Person, is required in connection with such Guarantor's execution, delivery or performance of this Guaranty, except for those already duly obtained.

(b) DUE EXECUTION. This Guaranty has been executed on behalf of each Guarantor by a legally competent Person duly authorized to do so.

(c) ENFORCEABILITY. This Guaranty constitutes the legal, valid and binding obligation of each Guarantor, enforceable against such Guarantor in accordance with its terms, except to the extent that the enforceability thereof against such Guarantor may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditor's rights generally or by equitable principles of general application.

(d) LEGAL RESTRAINTS. The execution of this Guaranty by each Guarantor, and the performance by such Guarantor of its obligations under this Guaranty, will not violate or constitute a default under the Charter Documents of such Guarantor, any Material Agreement, or any Material Law, and will not, except as expressly contemplated or permitted in this Guaranty, result in any Security Interest being imposed on any of such Guarantor's property.

(e) INDEPENDENT CREDIT EVALUATION. Each Guarantor has independently, and without reliance on any information supplied by the Guaranteed Parties, taken, and will continue to take, whatever steps such Guarantor deems necessary to evaluate the financial condition and affairs of Borrowers and each other Guarantor. No Guaranteed Party has any duty to advise any Guarantor of information at any time known to it regarding the financial condition or affairs of any Borrower or any other Guarantor.

(f) NO REPRESENTATION BY THE GUARANTIED PARTIES. No Guaranteed Party has made any representation, warranty or statement to any Guarantor to induce such Guarantor to execute this Guaranty.

9. SURVIVAL OF REPRESENTATIONS. All representations, warranties, and covenants of each Guarantor contained herein survive the execution and delivery of this Guaranty, and terminate only upon Final Payment.

10. AUTHORIZATION TO CHARGE ACCOUNTS. Each Guarantor hereby authorizes each Guaranteed Party, if and to the extent any amount payable by such Guarantor under this Guaranty is not otherwise paid when due, to charge such amount against any or all of the accounts of such Guarantor with such Guaranteed Party or any Affiliate of such Guaranteed Party, with such Guarantor remaining liable for any deficiency.

11. GUARANTIED PARTIES' OFFSET RIGHTS. Upon the occurrence of any Event of Default and at any time and from time to time thereafter, each Guarantied Party is hereby authorized, without notice to any Guarantor (any such notice being expressly waived by each Guarantor), to setoff against the Guarantied Obligations any and all deposits (general or special, time or demand, provisional or final) at any time held, or any other Indebtedness at any time owing by such Guarantied Party to or for the credit or the account of such Guarantor, irrespective of whether or not demand has been made under the Credit Agreement, any Note, or this Guaranty, and to remit the proceeds of such setoff to such Guarantied Party for distribution to such Guarantied Party and application to the Guarantied Obligations as provided in the Credit Agreement.

12. ENFORCEMENT. Each Guarantor acknowledges that all of the Guarantors are liable jointly and severally for the full amount of the Guarantied Obligations. Suits for the enforcement of this Guaranty may be brought, at the option of the Guarantied Parties, against all Guarantors, or successively against each Guarantor, or against one or more but not against all Guarantors.

13. ATTORNEY'S FEES AND OTHER COSTS. If Guarantors fail to pay the Guarantied Obligations as required by this Guaranty, then Guarantors will pay all reasonable costs and expenses incurred by the Guarantied Parties in enforcing this Guaranty, including Attorney Costs (whether or not there is litigation), court costs and all costs incurred in connection with any proceedings under any Debtor Relief Law.

14. RECORDS. The Guarantied Parties' books and records showing the accounts between the Guarantied Parties and any Borrower are admissible in evidence in any action or proceeding with respect to this Guaranty and constitute prima facie proof of the information therein.

15. BINDING NATURE OF CERTAIN ADJUDICATIONS. Each Guarantor will be conclusively bound by the final adjudication in any action or proceeding, legal or otherwise, involving any controversy arising under, in connection with, or in any way related to, any of the Guarantied Obligations, and by a final judgment, award or decree entered therein, if such Guarantor had the right, or was given the opportunity, to participate in such action or proceeding and was given notice of such action or proceeding in time to exercise such right or avail itself of such opportunity.

16. APPLICATION OF PAYMENTS. All payments made under this Guaranty will be allocated among the principal and interest and other components of the Guarantied Obligations and the other obligations of a Guarantor hereunder in such order and amount as the Guarantied Parties may determine in their sole and absolute discretion.

17. LIMITATION OF LIABILITY. No Guarantied Party will have any liability with respect to, and each Guarantor hereby waives, releases and agrees not to sue for, (a) any loss or damage sustained by any Guarantor that may occur as a result of, in connection with, or that is in any way related to, any act or failure to act referred to in Section 5 of this Guaranty, or (b) any special, indirect or consequential damages suffered by any Guarantor in connection with any claim related to this Guaranty.

18. MISCELLANEOUS.

(a) NOTICES. All notices, consents, requests and demands to or upon the respective parties hereto shall be given by Requisite Notice at the address of Company set forth on Schedule 9.02 to the Credit Agreement. No notice given to or demand made on any Guarantor by the Guarantied Parties in any instance entitles any Borrower to notice or demand in any other instance.

(b) AMENDMENTS AND WAIVERS. No amendment to, waiver of, or departure from full compliance with any provision of this Guaranty, or consent to any departure by any Guarantor herefrom, will be effective unless it is in writing and signed by authorized officers of such Guarantor and Administrative Agent; provided, however, that any such waiver or consent will be effective only in the specific instance and for the purpose for which given. No failure by Lender to exercise, and no delay by any Guarantied Party in exercising, any right, remedy, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise by any Guarantied Party of any right, remedy, power or privilege hereunder preclude any other exercise thereof, or the exercise of any other right, remedy, power or privilege.

(c) RIGHTS CUMULATIVE. Each of the rights and remedies of the Guarantied Parties under this Guaranty is in addition to all of their other rights and remedies under applicable Law, and nothing in this Guaranty may be construed as limiting any such rights or remedies.

(d) SUCCESSORS AND ASSIGNS. This Guaranty binds Guarantors and their respective successors and assigns and inures to the benefit of the Guarantied Parties, and each of its successors, transferees, participants and assignees. No Guarantor may delegate or transfer any of its obligations under this Guaranty without the prior written consent of Administrative Agent and all Lenders. With respect to each Guarantor's successors and assigns, such successors and assigns include any receiver, trustee or debtor-in-possession of or for such Guarantor.

(e) SEVERABILITY. Any provision of this Guaranty which is prohibited, unenforceable or not authorized in any jurisdiction is, as to such jurisdiction, ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

(f) NO THIRD PARTY RIGHTS. This Guaranty is solely for the benefit of the parties hereto and the Guarantied Parties, and their respective successors and assigns, and no other Person has any right, benefit, priority or interest under, or because of the existence of, this Guaranty.

(g) COUNTERPARTS. This Guaranty may be executed by the parties hereto on any number of separate counterparts, and all such counterparts taken together constitute one and the same

instrument. It is not necessary in making proof of this Guaranty to produce or account for more than one counterpart signed by the party to be charged.

(h) COUNTERPART FACSIMILE EXECUTION. For purposes of this Guaranty, a document (or signature page thereto) signed and transmitted by facsimile machine or telecopier is to be treated as an original document. The signature of any Person thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party hereto, any facsimile or telecopy document is to be re-executed in original form by the Persons who executed the facsimile or telecopy document. No party hereto may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Guaranty or any amendment or other document executed in compliance with this Section.

(i) FINAL EXPRESSION; NO COURSE OF DEALING. This Guaranty, together with the Credit Agreement, the other Loan Documents and any other agreement executed in connection herewith or therewith, is intended by the parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions thereof. Acceptance of or acquiescence in a course of performance or course of dealing rendered or taken under or with respect to this Guaranty, the Credit Agreement or the other Loan Documents will not be relevant to determine the meaning of this Guaranty, the Credit Agreement or the other Loan Documents even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

(j) NEGOTIATED TRANSACTION. Each Guarantor and Guarantied Party represent to the other that in the negotiation and drafting of this Guaranty each has been represented by and has relied upon the advice of counsel of its choice. Each Guarantor and Guarantied Party affirm that its counsel has had a substantial role in the drafting and negotiation of this Guaranty; therefore, this Guaranty will be deemed drafted by each of Borrowers and the Guarantied Parties, and the rule of construction to the effect that any ambiguities are to be resolved against the drafter will not be employed in the interpretation of this Guaranty.

(k) ASSIGNMENT BY GUARANTIED PARTIES. To the extent permitted in the Credit Agreement, the Guarantied Parties may grant a participation interest in or assign or transfer to another Person any instrument, document or agreement evidencing any of the Guarantied Obligations and the Guarantied Parties' rights

under this Guaranty.

(1) CHOICE OF LAW, FORUM. WAIVER OF JURY TRIAL.

(a) THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MISSOURI APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF MISSOURI SITTING IN THE COUNTY OF ST. LOUIS OR

OF THE UNITED STATES FOR THE EASTERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS GUARANTY, EACH GUARANTOR, ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH GUARANTOR, ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. EACH GUARANTOR, ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

(c) EACH PARTY TO THIS GUARANTY HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS GUARANTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

19. ADDITIONAL GUARANTORS. Any Person required to become a Guarantor pursuant to Section 6.10 of the Credit Agreement shall, upon complying with such section, be deemed a Guarantor and this Guaranty shall be deemed amended to include such additional Person as a party hereto as though a signatory hereto, with no amendment or further action required hereunder, and thereafter, all references to Guarantors shall include such additional Person.

20. RIGHT OF CONTRIBUTION. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of all payments made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder who has not paid its proportionate share of all such payments. The provisions of this Section shall in no respect limit the obligations and liabilities of any Guarantor to the Guaranteed Parties, and, subject to the provisions of Section 21 below, each Guarantor shall remain liable to the Guaranteed Parties for the full amount guaranteed by such Guarantor hereunder. The "proportionate share" of any Guarantor shall be a fraction (which shall in no event exceed 1.00) the numerator of which is the excess, if any, of the fair value of the assets of such Guarantor over a fair estimate of the liabilities of such Guarantor and the denominator of which is the excess (but not less than \$1.00) of the fair value of the aggregate assets (without duplication) of all Guarantors over a fair estimate of the aggregate liabilities (without duplication) of all Guarantors. All relevant calculations shall be made as of the date such Guarantor became a Guarantor.

21. LIABILITY. Notwithstanding anything to the contrary elsewhere contained herein or in any Loan Document to which any Guarantor is a Party, the aggregate liability of each Guarantor hereunder (other than Company) for payment and performance of the Guaranteed Obligations shall not exceed an amount which, in the aggregate, is \$1.00 less than that amount which if so paid or performed would constitute or result in a "fraudulent transfer," "fraudulent conveyance" or terms of similar import, under applicable state or federal Law, including without limitation, Section 548 of the United States Bankruptcy Code. The liability of each Guarantor hereunder is independent of any other guaranties at

any time in effect with respect to all or any part of the Guaranteed Obligations, and each Guarantor's liability hereunder may be enforced regardless of the existence of any such guaranties. Any termination by or release of any Guarantor in whole or in part (whether it be another Guarantor under this instrument or not) shall not affect the continuing liability of any Guarantor hereunder, and no notice of any such termination or release shall be required. The execution hereof by each Guarantor is not founded upon an expectation or understanding that there will be any other Guarantor of the Guaranteed Obligations.

22. JUDGMENT CURRENCIES. (a) If any claim arising under or related to any Guaranteed Obligation is reduced to a judgment denominated in a Judgment Currency other than the Obligation Currency, the judgment shall be for the greater of (i) the equivalent in the Judgment Currency of the amount of the claim denominated in the Obligation Currency (or each Obligation Currency, if more than one) included in the judgment, determined as of the date or dates the Guaranteed Obligations related to such claim were loaned to or incurred by Obligors, or (ii) such equivalent determined as of the date of entry of such judgment. The equivalent of any Obligation Currency amount in any Judgment Currency shall be calculated at the spot rate for the purchase of the Obligation Currency with the Judgment Currency quoted by Bank on the date for determination specified above. "Judgment Currency" means the currency in which any judgment on any claim arising under or related to a Guaranteed Obligation is denominated.

(b) Guarantors shall indemnify the Guaranteed Parties against and hold the Guaranteed Parties harmless from all loss and damage resulting from any change in exchange rates between the date any claim is reduced to judgment and the date of payment (or, in the case of partial payments, the date of each partial payment) thereof by any Guarantor. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Guaranty, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Guaranteed Parties from time to time, and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

23. PAYMENTS EXEMPT FROM TAXES. (a) Any and all payments by Guarantors to or for the account of the Guaranteed Parties hereunder shall be made free and clear of and without deduction for any and all present or future taxes, duties,

levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of any Guaranteed Party, taxes imposed on or measured by its net income, branch profits or franchise taxes imposed on it (in lieu of net income or branch profits taxes), by the United States of America or by the jurisdiction (or any political subdivision thereof) under the Laws of which such Guaranteed Party is organized, in which its principal office is located or in which it maintains a lending office, and any other taxes withheld because such Guaranteed Party failed to timely deliver the forms required pursuant to Section 10.21 of the Credit Agreement (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes").

(b) If a Guarantor shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to any Guaranteed Party, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), such Guaranteed Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions, (iii) such Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, such Guarantor shall furnish to Administrative Agent (who shall forward the same to such Guaranteed Party) the original or a certified copy of a receipt evidencing payment thereof.

(c) Each Guarantor will provide the Guaranteed Parties with original tax receipts, notarized copies of tax receipts, or such other documentation as will prove payment of tax in a court of law applying the United States Federal Rules of Evidence, for all taxes paid by a Guarantor pursuant to subsection (b) above. Each Guarantor will deliver receipts to Administrative Agent within 30 days after the due date for the related tax.

IN WITNESS WHEREOF, this Guaranty has been duly executed as of the date first above written.

GUARANTORS:

AFFHOLDER, INC.

By /s/ Joseph A. White  
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Name Joseph A. White

Title Vice President & Chief Financial Officer

INA ACQUISITION CORP

By /s/ Joseph A. White  
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Name Joseph A. White

Title Vice President & Chief Financial Officer

INSITUFORM TECHNOLOGIES USA, INC.

By /s/ Joseph A. White  
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Name Joseph A. White

Title Vice President & Chief Financial Officer

KINSEL INDUSTRIES, INC.

By /s/ Joseph A. White  
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Name Joseph A. White

Title Vice President & Chief Financial Officer

TRACKS OF TEXAS, INC.

By /s/ Joseph A. White  
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Name Joseph A. White

Title Vice President & Chief Financial Officer

ACKNOWLEDGED:

BANK OF AMERICA, N.A.,  
as Administrative Agent

By: /s/  
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Insituform Technologies, Inc.  
702 Spirit 40 Park Drive, Chesterfield, Missouri 63005

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March 14, 2003

Mr. Anthony W. Hooper  
960 Westmeade  
Chesterfield, MO 63005

Re: Amendment to Employment Letter Agreement, dated July 15, 1998 (the  
"EMPLOYMENT AGREEMENT")

Dear Tony:

The Employment Agreement is hereby amended to delete the word "President" in each and every place that it is used in the Employment Agreement (other than Section 5(d)). Except as hereby amended, the Employment Agreement remains in full force and effect, and is hereby ratified and confirmed in all respects. Please sign this letter in the space provided below, and return a signed copy to me, to acknowledge your agreement with the foregoing.

Sincerely,

/s/ Stephen P. Cortinovis

Stephen P. Cortinovis,  
Chairman, Compensation Committee  
Insituform Technologies, Inc.

ACKNOWLEDGED AND AGREED:

/s/ Anthony W. Hooper

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Anthony W. Hooper

AMENDMENT NO. 5  
TO  
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 5 TO EMPLOYMENT AGREEMENT ("AMENDMENT NO. 5") is made as of the date set forth below by and between INSITUFORM TECHNOLOGIES, INC., a Delaware corporation (the "COMPANY"), and ROBERT W. AFFHOLDER (the "EMPLOYEE").

Recitals

A. The Company and Employee entered into an Employment Agreement dated October 25, 1995, as amended as of October 25, 1998, as of December 31, 1999, as of December 31, 2000, and as of December 31, 2002 (collectively, the "AMENDED AGREEMENT").

B. The Company and Employee desire to extend the term of the Amended Agreement as provided herein.

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

1. Paragraph A of Section II of the Amended Agreement is hereby deleted in its entirety and replaced with the following:

"A. Subject to the provisions of this Agreement hereinafter contained, for purposes of this Agreement the period (herein referred to as the "Employment Term") of the Employee's obligations under Section I hereof shall commence on the date hereof and continue until December 31, 2003."

2. Except as set forth herein, the Amended Agreement shall remain in full force and effect and continue to bind the parties hereto. This Amendment No. 5 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. 5 may be executed in counterparts, each of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, the undersigned have executed this Amendment No. 5 as of December 31, 2002.

EMPLOYEE:

COMPANY:

INSITUFORM TECHNOLOGIES, INC.

/s/ Robert W. Affholder

By: /s/ Anthony W. Hooper

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Robert W. Affholder

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Anthony W. Hooper, Chairman,  
President and Chief Executive Officer



## EQUIPMENT LEASE

THIS LEASE executed as of July 1, 2002, between A-Y-K-E Partnership, a partnership (hereafter referred to as "LESSOR"), and Affholder, Inc., a Missouri corporation (hereinafter referred to as "LESSEE").

1. LESSOR leases to LESSEE, and LESSEE leases from LESSOR, one Lovat M-142 Tunnel Boring Machine, Series No. 6100.

2. The term of this Lease shall begin July 1, 2002 and shall end April 30, 2004. If the leased property is retained by LESSEE after April 30, 2004. If the leased property is retained by LESSEE after April 30, 2004 without the consent of LESSOR, then the liquidated damages shall be \$25,000.00 plus \$5050.00 per day.

3. The Leased property shall be used solely for the installation of 152" tunnel on the DFW Airport Terminal D, Storm Drain Relief Line Phase III, Dallas/Fort Worth, TX.

4. LESSOR will be paid \$42.00 per linear foot of 152" tunnel as installed, based upon LESSEE's monthly pay estimate as approved by the project engineer for the Owner, with a guaranteed minimum rental of \$300,000.00. Rent is payable upon such approval or 45 days after installation, whichever first occurs.

5. LESSEE may not make alterations, additions or improvements to the leased property, without prior written notification to and approval by LESSOR. All such additions to and improvements shall immediately become the property of the LESSOR and subject to the terms of this Lease.

6. LESSEE, at its own cost and expense, shall keep the leased property in good repair, condition and working order, and shall not subject the leased property to careless or needlessly rough usage.

7. LESSOR shall at all times during business hours have the right to enter upon the premises where the leased property may be located for the purpose of inspecting it or observing its use.

8. The leased property shall be delivered to LESSEE at St. Louis, MO on or before July 1, 2003. LESSEE shall inspect the leased property before the commencement of the Lease. Unless LESSEE gives written notice to the LESSOR within five (5) days after first test use of the leased property specifying any defect

in or other objection to the leased property, it shall be conclusively presumed, as between LESSOR and LESSEE, that LESSEE has fully inspected the leased property and found it to be in good condition and repair and in full conformance with any and all express or implied representations, promises, statements or warranties with respect to the merchantability, suitability, or fitness for purpose of the leased property. If LESSEE rejects the leased property for good cause, this Lease shall be null and void. All transportation charges, including duties, from and to St. Louis, MO shall be the responsibility of LESSEE. All loading and unloading charges in St. Louis, MO shall be the responsibility of the LESSEE.

9. LESSEE, at its own expense, shall keep the leased property insured for casualty risks required by LESSOR (no underground exclusion) in the amount of \$1,250,000.00, with carriers acceptable to LESSOR and a loss payable endorsement in favor of LESSOR, and LESSEE shall further maintain liability insurance in the amount of \$1,250,000.00 naming LESSOR as an additional insured, and all policies shall provide that they may not be cancelled or altered without at least ten (10) days' prior written notice to LESSOR. LESSOR shall maintain insurance coverage of the leased equipment until it is received by LESSEE at point of delivery.

10. LESSEE shall pay all taxes and fees connected with this Lease or the LESSEE's use of the leased property, including any use, personal property, or sales taxes resulting therefrom.

11. LESSEE shall indemnify LESSOR against all claims, actions, proceedings, costs, damages and liabilities, including attorneys fees, arising

out of, connected with this Lease, or resulting from the use of the leased property.

12. This Lease shall be governed by and construed under the laws of the State of Missouri.

13. Without the prior written consent of the LESSOR, LESSEE shall not assign, transfer, pledge or hypothecate this Lease, the leased property, or any part thereof, or any interest therein, nor sublet or lend the property or any part thereof, nor permit the leased property or any part thereof to be used by anyone other than the LESSEE or LESSEE's employees.

14. This instrument shall be binding upon and inure to the benefit of the respective parties and their legal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument was executed by the parties as of the date above written.

AFFHOLDER, Inc

A-Y-K-E PARTNERSHIP

By /s/ Jerry Shaw

By /s/ Robert W. Affholder

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Jerry Shaw, Vice President  
"LESSEE"

-----  
Robert W. Affholder, Partner  
"LESSOR"

## SUBSIDIARIES OF INSITUFORM TECHNOLOGIES, INC.

The following table sets forth certain information as of December 31, 2002 concerning the Company and its subsidiaries. Unless otherwise indicated, all securities of such subsidiaries are owned by the Company:

Name	Place of Incorporation	%of Voting Securities
Affholder, Inc.	Missouri	100
INA Acquisition Corp.	Delaware	100
Insituform France, S.A.	France	99.9 (1)
Insituform Holdings (UK) Limited	United Kingdom	100 (1)
Insituform Linings Plc	United Kingdom	75 (2)
Insituform (Netherlands) B.V.	Netherlands and Delaware	100 (1)
Insituform Rioolrenovatietechnieken B.V.	Netherlands	100 (3)
Insituform Technologies Limited	Alberta, Canada	100
Insituform Technologies Limited	United Kingdom	100 (2)
Insituform Technologies USA, Inc.	Delaware	100
Kinsel Industries, Inc.	Texas	100
United Sistema de Tuberias Limitada	Chile	100 (4)
Video Injection S.A.	France	89.6 (1)

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 INA Acquisition Corp.
- (2) Securities are owned by Insituform Holdings (UK) Limited.
- (3) Securities are owned by Insituform (Netherlands) B.V.
- (4) Securities are owned 60% by Insituform Technologies, Inc. and 40% by INA Acquisition Corp.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-66714, 333-66712, 333-64688, 333-64690, 33-82486, 33-82488 and 33-63953) and Registration Statement on Form S-3 (No. 333-57932) of Insituform Technologies, Inc. of our report dated January 28, 2003, except for Note 16, which is as of March 28, 2003, relating to the financial statements as of and for the year ended December 31, 2002, which appears in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

St. Louis, Missouri  
March 28, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Insituform Technologies, Inc. (the "COMPANY") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "FORM 10-K"), I, Anthony W. Hooper, Chairman, President and Chief Executive Officer of the Company, hereby certify, as of the date hereof, that:

- (1) the Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2003

/s/ ANTHONY W. HOOPER

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Anthony W. Hooper, Chairman,  
President and Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Insituform Technologies, Inc. (the "COMPANY") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "FORM 10-K"), I, Joseph A. White, Vice President and Chief Financial Officer of the Company, hereby certify, as of the date hereof, that:

- (1) the Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2003

/s/ JOSEPH A. WHITE

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Joseph A. White, Vice President and Chief  
Financial Officer