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IONICS INC
Form 10-K/A
June 26, 2002

FORM 10-K/A

AMENDMENT TO FORM 10-K ANNUAL REPORT

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 1

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

For the fiscal year ended: December 31, 2001

OR

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

For the transition period ended: _____

Commission File Number: 1-7211

IONICS, INCORPORATED

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction
of incorporation of organization)

04-2068530
(IRS Employer Identification Number)

65 Grove Street
Watertown, Massachusetts
(Address of principal executive offices)

02472
(Zip Code)

Registrant's telephone number, including area code: (617) 926-2500

Former name, former address and former fiscal year, if changed
since last report: None

Securities registered pursuant to Section 12(b) of the Act:
Title of each class: Common Stock, \$1 par value

Name of each exchange on which registered: New York Stock Exchange

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

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The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the

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fiscal year ended December 31, 2001 as set forth in the pages attached hereto:

1. Item 14(a) 3. of Part IV of said report on Form 10-K is amended to list Form 11-K, Annual Report of the Ionics Section 401(k) Stock Savings Plan for the year ended December 31, 2001, as Exhibit 13 thereto, and the Consent of Belanger & Company, P.C., independent public accountants, as Exhibit 23.2 thereto. The Annual Report of the Ionics Section 401(k) Stock Savings Plan on Form 11-K for the year ended December 31, 2001 is hereby filed pursuant to Rule 15d-21 and General Instruction F to Form 10-K as an Exhibit to said Annual Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

IONICS, INCORPORATED
(Registrant)

Date: June 26, 2002

By /s/Stephen Korn

Stephen Korn
Vice President and
General Counsel

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PART IV

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

(a) 1. Financial Statements

See Index to Financial Statements and Financial Statement Schedule on page 30.

2. Financial Statement Schedule

See Index to Financial Statements and Financial Statement Schedule on page 30. All other Financial Statement Schedules have been omitted because they are either not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits

Exhibit No.	Description
-----	-----

3.0	Articles of Organization and By-Laws
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3.1	Restated Articles of Organization filed April 16, 1986 (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).	*
3.1(a)	Amendment to Restated Articles of Organization filed June 19, 1987 (filed as Exhibit 3.1(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).	*
3.1(b)	Amendment to Restated Articles of Organization filed May 13, 1988 (filed as Exhibit 3.1(b) to Registration Statement No. 33-38290 on Form S-2 effective January 24, 1991).	*
3.1(c)	Amendment to Restated Articles of Organization filed May 8, 1992 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending June 30, 1996).	*
3.1(d)	Amendment to Restated Articles of Organization filed May 8, 1998 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending March 31, 1998).	*
3.2	By-Laws, as amended through May 2, 2000 (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000).	*
4.0	Instruments defining the rights of security holders, including indentures	
4.1	Renewed Rights Agreement, dated as of August 19, 1997 between Registrant and BankBoston N.A. (filed as Exhibit 1 to the Company's Current Report on Form 8-K dated August 27, 1997).	*
4.2	Form of Common Stock Certificate (filed as Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).	*
10.0	Material Contracts	
10.1	1979 Stock Option Plan, as amended through February 22, 1996 (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).	*
10.2	1986 Stock Option Plan for Non-Employee Directors, as amended through February 26, 2002.	
10.3	Second Amendment and Waiver to Third	

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- Amended and Restated Revolving Credit Agreement dated as of March 28, 2002 between the Company and Fleet National Bank.
- 10.3(1) First Amendment and Waiver to Third Amended and Restated Revolving Credit Agreement dated as of December 21, 2001 by and among the Company, Fleet National Bank (as agent and lender), Bank America, N.A., The Chase Manhattan Bank and Mellon Bank, N.A.
- 10.4 Third Amended and Restated Credit Agreement dated as of June 29, 2001, among the Company, Fleet National Bank (as agent and lender), Bank of America, N.A., The Chase Manhattan Bank and Mellon Bank, N.A. (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001). *
- 10.5 Global Amendment and Affirmation Agreement dated as of June 29, 2001, among the Company, Fleet National Bank and certain subsidiaries of the Company (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001). *
- 10.6 Second Amended and Restated Credit Agreement dated as of July 28, 2000, among the Company, Fleet National Bank and Fleet National Bank as agent (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000). *
- 10.6(1) Amendment Agreement No. 1 to Second Amended and Restated Credit Agreement among the Company, Fleet National Bank and Fleet National Bank as Agent dated March 1, 2001 (filed as Exhibit 10.3(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000). *
- 10.6(2) Amendment Agreement No. 2 to Second Amended and Restated Credit Agreement among the Company, Fleet National Bank and Fleet National Bank as Agent dated May 14, 2001 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001). *
- 10.7 1994 Restricted Stock Plan (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K dated March 30, 1995). *

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10.8	1997 Stock Incentive Plan (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K dated December 31, 1996).	*
10.9	Ionics, Incorporated Supplemental Executive Retirement Plan effective as of January 1, 1996 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K dated December 31, 1997).	*
10.10	Form of Employee Retention Agreement dated February 24, 1998 between the Company and certain officers of the Company and its subsidiaries (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K dated December 31, 1997).	*
10.11	Shareholders' Agreement dated April 3, 2001 between the Company and Mohammed Abdulmohsin Al-Kharafi & Sons (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001).	*
10.12	1998 Non-Employee Directors Fee Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 1998).	*
10.13	Shareholders' Agreement dated as of May 12, 2000, by and among the Company, Hafeez Karamath Engineering Services Limited, and Desalination Company of Trinidad and Tobago Ltd., as amended on June 16, 2000 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000).	*
10.14	Loan Agreement dated as of October 25, 2000 between the Company and Hafeez Karamath Engineering Services Limited (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000).	*
13.0	Annual Report of the Ionics Section 401(k) Stock Savings Plan on Form 11-K for the year ended December 31, 2001.	
21.0	Subsidiaries of the Registrant.	
23.0	Consents	
23.1	Consent of PricewaterhouseCoopers LLP	
23.2	Consent of Belanger & Company, P.C.	

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24.0 Power of Attorney.

*Incorporated herein by reference

(b) Reports on Form 8-K

A report on Form 8-K was filed by the Company on December 3, 2001, reporting under Item 5 the issuance of a press release announcing the Company's agreement to sell its bottled water business.

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Exhibit No. 13 to Annual Report on Form 10-K of
Ionics, Incorporated for the year ended December 31, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

Annual report pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001

OR

Transition report pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 1-7211

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Ionics Section 401(k) Stock Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

IONICS, INCORPORATED
65 Grove Street
Watertown, MA 02472-2882

IONICS SECTION 401(k) STOCK SAVINGS PLAN
INDEX OF FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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Supplemental Schedules:	
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INDEPENDENT AUDITOR'S REPORT

Administrators
Ionics Section 401(k) Stock Savings Plan
Watertown, Massachusetts

We have audited the accompanying statements of net assets available for benefits of the Ionics Section 401(k) Stock Savings Plan (the Plan) as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the plan administrator. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing

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standards. Those standards require that we plan and perform the audits 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 net assets available for benefits of the Plan as of December 31, 2001 and 2000 and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes and nonexempt transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/Belanger & Company, P.C.

BELANGER & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Chelmsford, Massachusetts
June 5, 2002

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IONICS SECTION 401(k) STOCK SAVINGS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2001	2000
Assets:		
Investments (see Note C)	\$ 27,121,799	\$ 25,348,894
Receivables:		

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Employer contribution	49,014	54,346
Participant contributions	248,934	264,942
	-----	-----
Total receivables	297,948	319,288
	-----	-----
Total assets	27,419,747	25,668,182
Liabilities	0	0
	-----	-----
Net assets available for benefits	\$ 27,419,747	\$ 25,668,182
	=====	=====

See accompanying notes to the financial statements.

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IONICS SECTION 401(k) STOCK SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31, 2001

Additions:	
Additions to net assets attributed to:	
Investment income:	
Net depreciation in fair value of investments (see Note C)	\$ (394,510)
Interest	134,591
Dividends	167,882

	(92,037)

Contributions:	
Participant	3,253,629
Employer	709,729

	3,963,358

Total additions	3,871,321
Deductions:	
Withdrawals by and distributions to participants	2,119,756

Net increase	1,751,565
Net assets available for benefits:	
Beginning of year	25,668,182

End of year	\$27,419,747
	=====

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See accompanying notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

A. Description of Plan

The following description of the Ionics, Incorporated and domestic subsidiaries ("Company") 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

1. General. The Plan is a defined contribution plan covering all permanent employees of the Company working at least 20 hours per week who have completed one year of service (effective March 1, 2000, the Plan was amended to permit new employees to become eligible to participate effective as of the first day of the month coincident with or next following the employee's date of hire).
2. Contributions. Each year, participants may contribute up to 12 percent of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers Company stock and seven mutual funds as investment options for participants. The Company contributes 50% of the first 6 percent of base compensation that a participant contributes to the Company stock portion of the Plan. The matching Company contribution is invested directly in Ionics, Incorporated common stock. Contributions are subject to certain limitations.
3. Participant Accounts. Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings. Allocations are based on total investment earnings and average participant investment balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
4. Vesting. Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service ranging from 33 1/3% after two years to 100% after four years.
5. Participant Loans. Participants may borrow from their fund accounts a minimum of \$1,000, up to a maximum of \$50,000 or 50 percent of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at rates that are commensurate with local prevailing rates as determined by the Plan administrator.
6. Payment of Benefits. On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her

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account, or annual installments over the life expectancy of the Participant (or the joint life expectancy of the Participant and spouse or beneficiary).

7. Plan Expenses. The Plan provides that the Company shall pay all expenses of the Plan and its administration.

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B. Summary of Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investment of the Plan in Ionics, Incorporated Common Stock is stated at the last sales price on December 31, 2001 as reported on the New York Stock Exchange. Shares of mutual funds are valued at the Net Asset Value of shares held by the Plan at year-end.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

C. Investments

The following presents investments that represent 5 percent or more of the Plan's net assets.

	December 31,	
	2001	2000
Ionics, Incorporated common stock, 469,796 and 436,598 shares, respectively	\$14,107,974*	\$12,388,468*
Puritan Fund, 125,870 and 114,594 shares, respectively	2,224,126	2,157,798
Contrafund Fund, 101,392 and 99,513 shares, respectively	4,336,547	4,893,052
Janus Worldwide Fund, 31,458 and 26,252 shares, respectively	1,379,131	1,492,678
BT Pyramid GIC Fund	1,396,208	N/A

*Nonparticipant-directed

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During 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$394,510 as follows:

Mutual funds	\$ (1,255,521)
Ionics, Incorporated common stock	861,011

	\$ (394,510)
	=====

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D. Nonparticipant-Directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31,	
	2001	2000
Common stock	\$ 14,107,974	\$ 12,388,468
	=====	=====
		Year Ended 12/31/01

Contributions		\$ 1,583,607
Net appreciation		861,011
Benefits paid to participants		(725,112)

		\$ 1,719,506
		=====

E. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

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F. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2001 and 2000 to Form 5500:

	2001	2000
	-----	-----
Net assets available for benefits per the financial statements	\$27,419,747	\$25,668,182
Amounts allocated to withdrawing participants	(165,207)	(301,050)
	-----	-----
Net assets available for benefits per the Form 5500	\$27,254,540	\$25,367,132
	=====	=====

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2001 to Form 5500:

Distributions to participants per the financial statements:	\$2,119,756
Add: Amounts allocated to withdrawing participants at December 31, 2001	165,207
Less: Amounts allocated to withdrawing participants at December 31, 2000	(301,050)

Benefits paid to participants per Form 5500	\$1,983,913
	=====

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31st but not yet paid as of that date.

G. Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated September 12, 1995, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, it is believed that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

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IONICS SECTION 401(k) STOCK SAVINGS PLAN
 SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
 DECEMBER 31, 2001

Description of Investment	Face Amount Shares or Rate	Cost	Current Value
	-----	-----	-----
Ionics, Incorporated Common Stock	469,796	\$ 12,941,167	\$ 14,107,974
Fidelity Investments:			
Puritan Fund	125,870	2,260,636	2,224,126
Contrafund	101,392	4,851,452	4,336,547
MainStay Institutional:			
Indexed Bond	62,640	676,615	657,723
Asset Manager Fund	102,998	1,568,698	1,269,964
Indexed Equity Fund	23,788	758,349	626,568
Money Market		207,982	207,982
Janus Worldwide Fund	31,458	1,764,702	1,379,131
BT Pyramid GIC Fund		1,396,208	1,396,208
Participant Loans (Rate of interest 6.25% to 11.00%)		0	915,576
		-----	-----
Total funds invested		\$ 26,425,809	\$ 27,121,799
		=====	=====

See accompanying notes to the financial statements.

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Attachment to Form 5500
 Schedule H, line 4 d
 EIN: 04-2068530
 Plan Number 003

Schedule II

IONICS SECTION 401(k) STOCK SAVINGS PLAN
 SCHEDULE OF NONEXEMPT TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2001

(a) Identify of	(b) Relationship	(c) Description of	(d) Purchase	(e) Selling	(h) Cost of	Cu
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Party Involved	to Plan	Transaction	Price	Price	Asset
Ionics, Inc.	Employer	Late payment of contributions to the Plan	\$8,599	\$8,599	\$8,599

Note: The total amount due for the nonexempt transaction was paid on June 4, 2001

See accompanying notes to the financial statements.

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SIGNATURES

Ionics Section 401(k) Stock Savings Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

IONICS SECTION 401(k)
STOCK SAVINGS PLAN

Date: June 25, 2002

By: /s/Daniel M. Kuzmak

Daniel M. Kuzmak, Member
Plan Administrative Committee