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PITTSTON CO
Form 11-K
June 27, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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

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

For the transition period from _____ to _____

Commission file number 1-9148

THE SAVINGS-INVESTMENT PLAN OF THE PITTSTON COMPANY AND ITS
SUBSIDIARIES
(Full title of the Plan)

THE PITTSTON COMPANY
(Name of the issuer of securities held pursuant to the Plan)

P.O. BOX 18100
1801 BAYBERRY COURT
RICHMOND, VIRGINIA 23226-8100
(Address of issuer's principal executive offices) (Zip Code)

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THE SAVINGS-INVESTMENT PLAN
OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES

Financial Statements and Schedules

December 31, 2001 and 2000

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(With Independent Auditors' Report Thereon)

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THE SAVINGS-INVESTMENT PLAN
OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES

Index to Financial Statements and Schedules

December 31, 2001 and 2000

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Other schedules not filed herewith are omitted because of the absence of conditions under which they are required to be filed.

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INDEPENDENT AUDITORS' REPORT

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The Pension Committee of the Board of Directors
The Pittston Company:

We have audited the accompanying statements of net assets available for benefits of The Savings-Investment Plan of The Pittston Company and its Subsidiaries (the "Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 of America. 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 net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 at end of year) and reportable 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/ KPMG LLP

Richmond, Virginia

June 21, 2002

THE SAVINGS-INVESTMENT PLAN OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES
Statements of Net Assets Available for Benefits

| (In thousands) | December 31 | |
|----------------|-------------|------|
| | 2001 | 2000 |
| ----- | | |

Assets

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| | | |
|------------------------------------|------------|---------|
| Investments at fair value: | | |
| Pittston Common Stock | \$ 63,505 | 52,533 |
| Mutual funds | 78,519 | 102,254 |
| Common trust funds | 19,342 | - |
| Notes receivable from participants | 14,038 | 12,831 |
| Investments at contract value | 54,726 | 51,367 |
| ----- | | |
| Total investments | 230,130 | 218,985 |
| Receivables: | | |
| Participant contributions | 1,553 | 1,485 |
| Employer contributions | 793 | 560 |
| Interest | 85 | 74 |
| ----- | | |
| Total receivables | 2,431 | 2,119 |
| ----- | | |
| Total assets | \$ 232,561 | 221,104 |
| ----- | | |
| Liabilities | | |
| Accrued liabilities | \$ 292 | 359 |
| ----- | | |
| Total liabilities | 292 | 359 |
| ----- | | |
| Net assets available for benefits | \$ 232,269 | 220,745 |
| ----- | | |

See accompanying notes to financial statements.

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THE SAVINGS-INVESTMENT PLAN OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES
Statements of Changes in Net Assets Available for Benefits

| (In thousands) | Years Ended December 31 | |
|--|-------------------------|----------|
| | 2001 | 2000 |
| ----- | | |
| Income: | | |
| Dividends | \$ 4,903 | 13,173 |
| Interest | 1,047 | 961 |
| Net appreciation (depreciation) in fair value of investments: | | |
| Participant-directed | (11,909) | (17,530) |
| Nonparticipant-directed | 5,761 | (3,259) |
| ----- | | |
| | (6,148) | (20,789) |
| Contributions: | | |
| Participant | 19,240 | 18,290 |
| Employer | 9,732 | 8,993 |
| Rollover | 1,507 | 1,052 |
| ----- | | |
| Total additions | 30,281 | 21,680 |

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| | | |
|---|------------|----------|
| Distributions to participants or beneficiaries | (18,757) | (26,184) |
| ----- | | |
| Net increase (decrease) | 11,524 | (4,504) |
| ----- | | |
| Net assets available for benefits: | | |
| Beginning of year | 220,745 | 225,249 |
| ----- | | |
| End of year | \$ 232,269 | 220,745 |
| ----- | | |

See accompanying notes to financial statements.

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THE SAVINGS-INVESTMENT PLAN OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES

Notes to Financial Statements

December 31, 2001 and 2000

1. Plan Information and Summary of Significant Accounting Policies

Description of Plan

The Savings-Investment Plan of The Pittston Company and Its Subsidiaries (the "Plan") is a voluntary defined contribution plan sponsored by The Pittston Company and participating subsidiaries (the "Company"). Prior to July 1, 2001, employees of the Company who were not members of a collective bargaining unit (unless the collective bargaining agreement provides specifically for and the Administrative Committee has approved participation) were eligible to participate after six months of full time service in which they had at least 1,000 hours of service or at least 1,000 hours of service in any twelve month period. Effective July 1, 2001, eligible employees could participate after thirty days of service. The Plan is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Participants should refer to the Plan document for a more complete description of the Plan's provisions.

A participant may withdraw the following at any time without being suspended from the Plan:

- (a) All or a portion of Company matching contributions made prior to January 1, 1985;
- (b) All or a portion of after-tax contributions made prior to January 1, 1987; or
- (c) Any rollover contributions.

Any withdrawals of vested Company matching contributions made after January 1, 1985 require the employer to suspend making matching contributions on behalf of the participant for a period of six months.

The Plan generally requires that pre-tax savings remain in the Plan while the participant is actively employed. However, the Plan allows two

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exceptions:

- (a) If the participant is age 59 1/2 or older, he or she may withdraw all or a portion of his or her pre-tax contributions, or
- (b) If the participant has a "financial hardship" (as that term is defined by Internal Revenue Service ("IRS") guidelines) it is possible to withdraw all or a portion of his or her pre-tax contributions in the Plan up to the amount needed to satisfy the hardship, regardless of age.

The first exception results in a suspension of Company matching contributions for a period of six months. A hardship withdrawal results in a suspension of employee pre-tax contributions for twelve months.

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Vesting Policy

A participant is 100% vested in the market value of his or her pre-tax contributions. Vesting in the Company matching contributions is based on years of service as follows:

| | |
|-------------------------|------|
| Less than 3 years | None |
| 3 but less than 4 years | 50% |
| 4 but less than 5 years | 75% |
| 5 or more years | 100% |

If a participant ends his or her employment with the Company and is subsequently rehired, his or her prior service with the Company is counted for vesting purposes. Once a participant reaches normal retirement age, he or she is 100% vested in Company matching contributions regardless of years of service.

Forfeitures by the participants of the nonvested portion of their account upon withdrawal from the Plan are used to reduce future contributions of the Company to the Plan. Employer contributions receivable are net of forfeitures of \$62,000 and \$249,000 at December 31, 2001 and 2000, respectively. Also, in 2001 and 2000, employer contributions were reduced by \$333,000 and \$614,000, respectively, from forfeited nonvested accounts.

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% vested in their accounts.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and present net assets available for benefits and changes in those assets at fair values. Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation.

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The fair value of Pittston Common Stock, mutual fund investments and common trust fund investments is determined by using quoted market prices. The contract value (contributions made plus interest accrued at the contract rate less withdrawals and fees) of certain investments approximates fair value. Participant notes receivable are valued at cost which approximates fair value. The cost of securities sold is determined principally on the basis of average cost at the time of sale. Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded on the accrual basis. Benefits are recorded when paid.

Use of Estimates

In accordance with accounting principles generally accepted in the United States of America, management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ materially from those estimates.

Risks and Uncertainties

The Plan provides for various investment options which invest in any combination of equities, fixed income securities and investment contracts. Investment securities are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is reasonably possible that changes in risk could materially affect participants' account balances and the amounts reported.

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2. Participant Notes Receivable

Participants can borrow, in exchange for a promissory note, up to the lesser of \$50,000 or 50% of their aggregate vested account balance in the Plan, including rollovers, subject to certain maximum limits designated by the IRS. Each note is secured by a pledge of the participant account balance in the Plan to the extent of the unpaid balance. The interest rate charged is generally equal to the prime interest rate plus 1%. Repayments are made through level monthly payroll deductions. The term of a loan cannot exceed 4 1/2 years for general purpose loans and 15 years for principal residence loans.

3. Contributions

During the second half of 2001, each participant could designate a basic contribution of up to the lesser of \$10,500 or 20% of pre-tax earnings. During the first half of 2001 and all of 2000, each participant could designate a basic contribution of up to the lesser of \$10,500 or 15% of pre-tax earnings. Amounts contributed are subject to limitations under IRS non-discrimination tests. For purposes of determining Plan contributions, pre-tax earnings are defined as regular pay including commissions and bonuses, but excluding overtime, premium pay and allowances. Employee contributions may be divided among investment funds, in multiples of 1%, based upon the participant's election. Participants have the option to change their contribution percentages during each pay period.

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During 2001 and 2000, participant contributions to the Plan could be invested in one of thirteen and twelve T. Rowe Price investment funds, respectively, or Pittston Common Stock.

Participant contributions up to 5% of pre-tax earnings were matched by the Company at rates ranging from 50% to 100% in both 2001 and 2000. Company matching contributions are in the form of Pittston Common Stock.

Participants who were employees of the following wholly owned subsidiaries of the Company were matched at the following rates in 2001 and 2000:

| | |
|----------------------------------|------|
| Brink's, Incorporated | 100% |
| Brink's Home Security | 75% |
| BAX Global Inc. | 75% |
| Air Transport International, LLC | 50% |
| Pittston Coal Company | 50% |
| Pittston Minerals Ventures | 50% |

Employees of Pittston Administrative Services and The Pittston Company were matched at a rate of 100% in 2001 and 2000. The Company may adjust the rate at which contributions are matched.

4. Distributions

Upon leaving the Company for any reason and after a formal disbursement request is made by the participant, the full fair value of an employee's contributions and related investment income and all vested Company matching contributions and related investment income will be distributed in cash, except payouts from the Company stock funds which will be made in shares of the Company's stock unless cash payment is specifically requested. The value of any fractional shares will be distributed in cash. Additionally, if a participant's employment with the Company terminates and he or she has a vested account balance of more than \$5,000, he or she may (1) elect to leave all of his or her contributions and related investment income and the vested portion of Company contributions and related investment income in the Plan for an unlimited period of time, or (2) make an irrevocable election to receive the payout in installments for a period of up to five years. Participants who retire on their normal retirement date may elect to defer distribution until the later of age 70 1/2 or their retirement date.

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5. Related Party Transactions

Certain Plan investments are shares of mutual funds, common trusts, and investment contracts managed by T. Rowe Price Trust Company, the Trustee. Additionally, the Plan invests in shares of Pittston Common Stock. Such transactions are deemed to be party-in-interest transactions of the Plan as are all participant notes receivable.

At December 31, 2001, the Plan held 2,873,529 shares of Pittston Common Stock valued at \$63,504,981.

At December 31, 2000, the Plan held 2,643,172 shares of Pittston Common Stock valued at \$52,533,041.

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6. Federal Income Taxes

The Plan obtained its latest determination letter on March 24, 1998, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with Section 401(a) of the Internal Revenue Code ("IRC") and accordingly, the Plan is exempt from income tax under Section 501(a) of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. The Plan filed for its latest request for a determination letter on February 27, 2002, and the Plan has yet to receive the requested determination letter.

8. Investments

During 2001 and 2000, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value as follows:

| | Years Ended December 31 | |
|---|-------------------------|----------|
| | 2001 | 2000 |
| | ----- | |
| | (In thousands) | |
| Appreciation (depreciation) of investments at fair value as determined by quoted market prices: | | |
| Pittston Common Stock | \$ 6,207 | (3,754) |
| Mutual funds | (11,162) | (17,035) |
| Common trust funds | (1,193) | - |
| | ----- | |
| | \$ (6,148) | (20,789) |
| | ----- | |

In 2001 and 2000, participants had the option to invest in a stability fund (the "fund") investing in money market funds, short-term investments and benefit-responsive investment contracts, including synthetic investment contracts, issued by banks, insurance companies and other high-quality issuers. The fund seeks to maintain a constant net asset value and, as a result, allows participants to withdraw all or a portion of their investment at contract value. The investment contracts held by the fund are nontransferable, but provide for these benefit-responsive withdrawals by Plan participants at the contract value. The fund is presented in the financial statements at contract value, as reported to the Plan by the Trustee. Generally, contract value approximates fair value. If an event occurs that may impair the ability of the contract issuer to perform in accordance with the contract terms, fair value may be less than contract value. The investments in the fund may have fixed rates of interest for fixed periods of time, or may have rates of interest that vary during the contract period based on the contract issuer's investment experience or on another formula applicable under the contract. The average yield on investments held by the fund was approximately 6.2% and 6.6% at December 31, 2001 and 2000, respectively. Maturities of the investment contracts held by the fund ranged from 2002 to 2039 and from 2001 to 2030 at December 31, 2001 and 2000, respectively.

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Investments at fair value or contract value which represent 5% or more of the net assets available for benefits at December 31 are as follows:

| | December 31 | |
|--|-------------|--------|
| | 2001 | 2000 |
| ----- | | |
| (In thousands) | | |
| Investment: | | |
| Pittston Common Stock (a) | \$ 63,505 | 52,533 |
| T. Rowe Price Stable Value Fund | 54,726 | 51,367 |
| T. Rowe Price Equity Index 500 Fund (b) | - | 22,505 |
| T. Rowe Price New America Growth Fund (b) | - | 25,621 |
| T. Rowe Price Personal Strategy Balanced Fund | 18,939 | 18,742 |
| T. Rowe Price Equity Index Trust (c) | 19,342 | - |
| T. Rowe Price Blue Chip Growth Fund (c) | 20,469 | - |
| Notes receivable from participants | 14,038 | 12,831 |
| ----- | | |

- (a) Includes nonparticipant-directed investments in 2001 and 2000 of \$59,098 and \$48,516, respectively.
- (b) Closed in 2001.
- (c) Added in 2001.

8. 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 |
| ----- | | |
| (In thousands) | | |
| Net Assets: | | |
| Pittston Common Stock | \$ 59,098 | 48,516 |
| Employer contributions receivable | 793 | 560 |
| Accrued liabilities | (272) | - |
| ----- | | |
| | \$ 59,619 | 49,076 |
| ----- | | |

| | Year Ended December 31 | |
|-------|------------------------|------|
| | 2001 | 2000 |
| ----- | | |

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(In thousands)

| | | |
|---|-----------|---------|
| Changes in Net Assets: | | |
| Contributions - Employer | \$ 9,732 | 8,993 |
| Dividends | 254 | 229 |
| Net appreciation (depreciation) | 5,761 | (3,259) |
| Distributions to participants or beneficiaries | (4,577) | (3,742) |
| Transfers to participant-directed investments | (627) | (891) |
| | ----- | ----- |
| | \$ 10,543 | 1,330 |
| | ----- | ----- |

9. Reconciliation to Form 5500

The Form 5500 for the Plan includes a liability for benefits payable in the statements of net assets available for benefits as of December 31, 2001 and 2000. In addition, Form 5500 for the Plan reflects a reduction in net assets for deemed distributions of certain participant loans in the statements of net assets available for benefits as of December 31, 2001 and 2000, respectively. The accompanying financial statements do not include this reduction as the participants to which the deemed distributions relate continue to retain their net assets within the Plan. The following reconciles net assets available for benefits and benefits paid to participants from the Form 5500 to the Plan financial statements:

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| | | |
|---|----------------|---------|
| | December 31 | |
| | 2001 | 2000 |
| | ----- | |
| | (In thousands) | |
| Net assets available for benefits per the Form 5500 | \$ 227,798 | 217,781 |
| Cumulative deemed distributions | 137 | 133 |
| Benefits payable to participants at end of year | 4,334 | 2,831 |
| | ----- | |
| Net assets available for benefits per the Statements of Net Assets Available for Benefits | \$ 232,269 | 220,745 |
| | ----- | |

| | | |
|--|-------------------------|--------|
| | Years Ended December 31 | |
| | 2001 | 2000 |
| | ----- | |
| | (In thousands) | |
| Distributions to participants per the Form 5500 | \$ 20,264 | 24,240 |
| Deemed distributions of participant loans | (4) | (58) |

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| | | |
|---|-----------|---------|
| Benefits payable to participants at beginning of year | 2,831 | 4,833 |
| Benefits payable to participants at end of year | (4,334) | (2,831) |
| ----- | | |
| Distributions paid to participants per the Statements of Changes in Net Assets Available for Benefits | \$ 18,757 | 26,184 |
| ----- | | |

10. Plan Amendments

The Plan was amended and restated effective January 1, 2002. The Plan reflects certain new IRS rules including rules regarding minimum required distributions. In addition, vesting in the Company matching contributions will be based on years of service as follows:

| | |
|-------------------------|------|
| Less than 2 years | None |
| 2 but less than 3 years | 20% |
| 3 but less than 4 years | 50% |
| 4 but less than 5 years | 75% |
| 5 or more | 100% |

Participants should refer to the Plan document for a more complete description of the Plan's new provisions.

Schedule 1

THE SAVINGS-INVESTMENT PLAN
OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES
Schedule H, Line 4i, Schedule of Assets (Held at End of Year)
December 31, 2001
(In thousands, except share amounts)

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost (non-participant directed only) | Current Value |
|--|--|--------------------------------------|---------------|
| ----- | | | |
| The Pittston Company* | 2,674,137 shares nonparticipant directed Pittston Common Stock; \$1 par value | \$ 57,625 | 59,098 |
| The Pittston Company* | 199,392 shares of participant directed Pittston Common Stock; \$1 par value | | 4,407 |
| T. Rowe Price* | 54,726,136 shares in the Stable Value Fund | | 54,726 |
| T. Rowe Price* | 174,506 shares in the Spectrum Income Fund | | 1,850 |
| T. Rowe Price* | 300,009 shares in the Equity Income Fund | | 7,095 |

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| | | |
|--|---|------------------------------|
| T. Rowe Price* | 627,383 shares in the Equity Index Trust | 19,342 |
| T. Rowe Price* | 344,828 shares in the International Stock Fund | 3,790 |
| T. Rowe Price* | 203,102 shares in the Small Cap Value Fund | 4,606 |
| T. Rowe Price* | 373,806 shares in the New Horizons Fund | 8,461 |
| T. Rowe Price* | 185,380 shares in the Personal Strategy Income Fund | 2,375 |
| T. Rowe Price* | 1,255,061 shares in the Personal Strategy Balanced Fund | 18,939 |
| T. Rowe Price* | 306,461 shares in the Personal Strategy Growth Fund | 5,375 |
| T. Rowe Price* | 236,112 shares in the Science & Technology Fund | 4,941 |
| T. Rowe Price* | 15,692 shares in the Mid-Cap Growth Fund | 618 |
| T. Rowe Price* | 706,545 shares in the Blue Chip Growth Fund | 20,469 |
| Notes receivable from participants* | Participant notes receivable at interest rates ranging from 6% to 11%, maturities not to exceed 4 1/2 years for general purpose and 15 years for principal residence | 14,038 |
| | | ----- \$ 230,130 ----- |

The cost of participant-directed investments is not required.
*Indicates a party-in-interest investment.
See accompanying independent auditors' report.

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Schedule 2

THE SAVINGS-INVESTMENT PLAN
OF THE PITTSTON COMPANY AND ITS SUBSIDIARIES
Schedule H, Line 4j, Schedule of Reportable Transactions
For the Year Ended December 31, 2001
(In thousands, except number of purchase and sale amounts)

| Identity of party involved | Description of asset (include interest rate and maturity in case of a loan | Purchase Price | Selling Price | Lease Rental | Expense incurr with Transacti |
|----------------------------|--|-------------------|------------------|-----------------|----------------------------------|
| ----- | | | | | |
| The Pittston Company | Pittston Common Stock 28 purchases | 10,132 | N/A | N/A | N/A |
| The Pittston Company | Pittston Common Stock 212 sales | N/A | 5,441 | N/A | N/A |

Transactions under an individual account plan that a participant or beneficiary directed with respect to assets allocated to his or her account are not treated for purposes of line 4j as reportable transactions. Transactions listed represent a series of transactions in a security of the same issue in excess of 5% of the plan market value as of December 31, 2000. See accompanying independent auditors' report.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

The Savings-Investment Plan
of The Pittston Company
and Its Subsidiaries

(Name of Plan)

/s/ Frank T. Lennon

(Frank T. Lennon
Vice President-Human Resources and
Administration of The Pittston Company)

Date: June 27, 2002

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CONSENT OF INDEPENDENT AUDITORS

We consent to incorporation by reference in the registration statements (Nos. 333-02219, 333-78633 and 333-70766) on Form S-8 of The Pittston Company of our report dated June 21, 2002, relating to the statements of net assets available for benefits of The Savings-Investment Plan of The Pittston Company and its Subsidiaries as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended, which report appears in the December 31, 2001 Annual Report on Form 11-K of The Savings-Investment Plan of The Pittston Company and its Subsidiaries.

/s/ KPMG LLP

Richmond, Virginia

June 27, 2002