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ARCH COAL INC
Form 11-K
July 01, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(X) 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

Commission File Number 1-13105

Title of the Plan -

ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Name and Address of the issuer of the Securities
Held Pursuant to the Plan -

Arch Coal, Inc.
One CityPlace Drive, Suite 300
St. Louis, Missouri 63141

FINANCIAL STATEMENTS AND EXHIBITS

Financial Statements and Schedule

Independent Auditors' Report

Statements of Net Assets Available for Benefits

Statement of Changes in Net Assets Available for Benefits

Notes to Financial Statements

Schedule of Assets Held for Investment Purposes at End of Year

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Exhibits:

- 23.1 Consent of Rubin, Brown, Gornstein & Co. LLP, Independent Auditors
- 23.2 Consent of Stone Carlie & Company, L.L.C., Independent Auditors

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ARCH COAL, INC.
EMPLOYEE THRIFT PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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INDEPENDENT AUDITORS' REPORT

To the Trustees
Arch Coal, Inc. Employee Thrift Plan
St. Louis, Missouri

We have audited the accompanying statement of net assets available for plan benefits of the Arch Coal, Inc. Employee Thrift Plan as of December 31, 2001 and the related statement of changes in net assets available for plan benefits for the year 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 audit.

We conducted our audit 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 audit provides 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 plan benefits at December 31, 2001, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/S/ Rubin, Brown, Gornstein & Co. LLP
Rubin, Brown, Gornstein & Co. LLP
St. Louis, Missouri

June 15, 2002

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INDEPENDENT AUDITORS' REPORT

To the Administrator
Arch Coal, Inc. Employee Thrift Plan

We have audited the accompanying statement of net assets available for benefits of the Arch Coal, Inc. Employee Thrift Plan as of December 31, 2000. This

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financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/S/ Stone Carlie & Company, L.L.C.

Stone Carlie & Company, L.L.C.

St. Louis, Missouri
June 29, 2001

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

	DECEMBER 31,	
	2001	2000
	-----	-----
ASSETS		
INVESTMENTS, AT FAIR VALUE (NOTE 3)		
Money market	\$ 1,543,086	\$ 1,871,673
Mutual funds and common/collective fund	119,599,522	137,282,041
Guaranteed investment account	50,853,111	47,962,022
Company stock	16,289,419	7,162,090
Participant loans (Note 4)	9,924,227	11,101,500
CSFB Direct securities account	8,809,499	9,790,373
	-----	-----
TOTAL INVESTMENTS	207,018,864	215,169,699
	-----	-----
RECEIVABLES		
Salary deferral contributions	--	502,688
Employer contributions	--	353,233
	-----	-----
TOTAL RECEIVABLES	--	855,921
	-----	-----

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NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$ 207,018,864	\$ 216,025,620
	=====	=====

See the accompanying notes to financial statements.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

INVESTMENT INCOME (LOSS) (NOTE 3)

Dividends and interest	\$ 5,501,477
Net depreciation in fair value of investments	(21,381,000)

NET INVESTMENT INCOME (LOSS)	(15,879,523)
------------------------------	--------------

CONTRIBUTIONS

Salary deferral contributions	12,433,338
Employer contribution	9,677,607
Employee after-tax contribution	1,413,284
Rollover contribution	710,788

TOTAL CONTRIBUTIONS	24,235,017
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TOTAL ADDITIONS	8,355,494
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DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid directly to participants	17,362,250
--	------------

NET DECREASE	(9,006,756)
--------------	-------------

NET ASSETS AVAILABLE FOR PLAN BENEFITS -

BEGINNING OF YEAR	216,025,620
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NET ASSETS AVAILABLE FOR PLAN BENEFITS -
END OF YEAR

\$ 207,018,864
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See the accompanying notes to financial statements.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF THE PLAN

The Arch Coal, Inc. Employee Thrift Plan was established by Arch Coal, Inc. for the benefit of the eligible employees of the Company, its subsidiaries and controlled affiliates.

The following description of the Plan provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

Certain provisions of the Plan as described below do not apply to or have been modified for certain subsidiaries and affiliates of the Company.

GENERAL

The Plan, which has been adopted by Arch Coal, Inc. is a defined contribution profit sharing plan which includes a 401(k) provision. The Plan covers all full-time salaried employees, all full-time nonunion hourly employees, and certain union employees where specified by applicable collective bargaining agreements of the Company, its subsidiaries, and any controlled affiliates that elect to participate in the Plan. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS

Participants may elect to defer between 1 percent and 17 percent of compensation, depending upon the location of the employee. The percentage of employer match or nondiscretionary contribution also depends upon the location.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions, the employer's matching contribution, if applicable, or employer non-discretionary contribution, if applicable, and an allocation of Plan earnings. The allocation of earnings is determined by the earnings of the participant's investment selection based on each participant's account balance, as defined in the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

VESTING

Participants are fully vested in their contributions plus actual earnings. All eligible employees of the Company at December 31, 1997 became fully vested in the Plan. Eligible employees hired subsequent to December 31, 1997 vest in Company contributions and earnings upon the completion of three full and consecutive years of service.

ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

All participants become fully vested upon death while employed, total disability, or normal retirement age, regardless of the number of months of participation.

NOTES RECEIVABLE - PARTICIPANTS

Active participants, with some exceptions, may borrow from their fund accounts a minimum of \$500 or up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balances. Loan terms range from one to five years or longer for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime rate listed in the Wall Street Journal on the day the loan is processed. Principal and interest is paid ratably through payroll deductions.

PAYMENT OF BENEFITS

Upon death, termination of service, or attainment of age 70-1/2, 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 account, a single annuity, a joint and survivorship annuity with various survivor options or a series of installment payments.

FORFEITED ACCOUNTS

Forfeited amounts of employer contributions are used to offset future company matching contributions of the Plan. At December 31, 2001, forfeited amounts available to reduce future company contributions were \$185,074.

INVESTMENT OPTIONS

Participants may direct the investment of their entire account balance among the following investment options:

AMERICAN CENTURY INCOME & GROWTH FUND

This fund seeks capital growth. The fund typically invests at least 90% of assets in equities selected for their appreciation potential. The majority of these securities are common stocks issued by companies that meet management's standards for earnings and revenue growth. The fund may only purchase securities of companies that have operated more than 3 years.

ARCH COAL, INC. COMMON STOCK

Funds are invested in Arch Coal, Inc. common stock.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

BARCLAY'S LIFEPATH 2010

This fund seeks total return for investors retiring near the year 2010. The fund uses an asset allocation approach. The allocation changes become more conservative as the fund nears its maturation. The fund allocates among securities contained in various domestic and foreign indexes.

BARCLAY'S LIFEPATH 2020

This fund seeks total return for investors retiring near the year 2020. Asset allocation is the same as the Barclay's Lifepath 2010 as noted above.

BARCLAY'S LIFEPATH 2030

This fund seeks total return for investors retiring near the year 2030. Asset allocation is the same as the Barclay's Lifepath 2010 as noted above.

BARCLAY'S LIFEPATH 2040

This fund seeks total return for investors retiring near the year 2040. The fund uses an asset allocation approach with a neutral mix consisting of 100% equities. Otherwise, asset allocation is the same as the Barclay's Lifepath 2010 as noted above.

CSFB DIRECT PERSONAL CHOICE RETIREMENT ACCOUNT

This is an option wherein a plan participant can invest directly in equity and debt securities through a CSFB Direct brokerage account.

FRANKLIN TEMPLETON BALANCE SHEET FUND

This fund invests in common stocks, preferred stocks, and debt securities and seeks high total return and long-term growth by following a value-oriented investment approach.

PRIMCO STABLE VALUE FUND

This is a guaranteed investment account which is separately managed for Arch Coal, Inc. The fund invests in long-term investment contracts issued by a variety of insurance carriers, collective trusts, pooled separate accounts, and money market funds. The objective of this fund is to generate current income, while providing protection against loss of capital.

PIMCO TOTAL RETURN FUND

This fund seeks a total return consistent with preservation of capital. The fund invests at least 65% of assets in debt securities, including U.S. government securities, corporate bonds, and mortgage-related securities.

ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

PUTNAM BALANCED FUND

This fund invests in a combination of stocks and bonds and seeks to provide current income and the opportunity for long-term growth.

PUTNAM GROWTH OPPORTUNITIES FUND

This fund principally invests in growth stocks of large U.S. companies. It may invest in foreign securities, preferred stocks, convertible securities, debt instruments, and derivatives. The fund invests in securities that the advisor believes will benefit from long-term economic trends.

PUTNAM INTERNATIONAL GROWTH FUND

This fund invests primarily in common stocks of foreign companies and seeks long-term growth subject to the volatility inherent in international investing.

PUTNAM MONEY MARKET FUND

This fund seeks a high rate of current income. This fund invests in instruments that are high quality and have short-term maturity.

PUTNAM OTC EMERGING GROWTH FUND

This fund seeks capital appreciation. The fund normally invests at least 65% of assets in stocks issued by companies that are in early stages of development and have records of profitability. It may invest up to 20% of assets in foreign securities.

PUTNAM S&P 500 INDEX

This fund invests in a broad portfolio of common stocks and seeks to track the performance of the Standard & Poor's 500 Index.

PUTNAM VISTA FUND

This fund invests primarily in common stocks of U.S. companies, with a focus on growth stocks. The fund invests mainly in mid-sized companies. It can invest in foreign securities and options and futures.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

BASIS OF ACCOUNTING

The financial statements of the Plan are prepared under the accrual method of accounting.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments in mutual funds are valued at reported net asset value at December 31 as determined by the fund manager.

Investment income is recorded as earned on the accrual basis.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

3. INVESTMENTS

The Company has established a Pension Committee to oversee the activities of the Plan and has appointed the Vice President - Human Resources as the Plan Administrator. Fleet Bank is the trustee for the Plan and Putnam Fiduciary Trust Company is the Plan recordkeeper.

Investments at fair value as of December 31, 2001 and 2000 consist of the following:

DECEMBER 31,

2001

2000

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PUTNAM MONEY MARKET FUND	\$ 1,543,086	\$ 1,87

MUTUAL FUNDS AND COMMON COLLECTIVE FUND		
American Century Income & Growth Fund	28,146,653*	32,64
Barclay's Lifepath 2010	160,372	
Barclay's Lifepath 2020	488,589	
Barclay's Lifepath 2030	130,407	
Barclay's Lifepath 2040	201,744	
Franklin Templeton Balance Sheet Fund	9,063,457	5,59
PIMCO Total Return Fund	10,070,589	6,14
Putnam Balanced Fund	14,858,769*	20,29
Putnam Growth Opportunities Fund	19,755,092*	30,89
Putnam International Growth Fund	9,152,343	11,19
Putnam OTC Emerging Growth Fund	1,589,311	
Putnam S&P 500 Index	18,990,294*	21,55
Putnam Vista Fund	6,991,902	8,96

TOTAL MUTUAL FUNDS AND COMMON/COLLECTIVE FUND	119,599,522	137,28

ARCH COAL, INC. COMMON STOCK	16,289,419	7,16

CSFB DIRECT PERSONAL CHOICE RETIREMENT ACCOUNT	8,809,499	9,79

PRIMCO STABLE VALUE FUND	50,853,111*	47,96

PARTICIPANT LOANS	9,924,227	11,10

	\$ 207,018,864	\$ 215,16
=====		

* Investment represents 5 percent or more of net assets at the beginning of the respective Plan year.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Notes To Financial Statements (Continued)

CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS:

	FOR THE YEAR ENDED DECEMBER 31, 2001

INVESTMENT INCOME (LOSS):	
Dividends and interest	\$ 5,501,477
Net depreciation in fair value of investments	(21,381,000)

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NET INVESTMENT INCOME (LOSS)

\$ (15,879,523)
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Interest income on the Primco Stable Value Fund is calculated and credited daily based on the aggregate contract yield of the underlying investments. The investment contracts included in this fund had an average yield of 5.52% for the year ended December 31, 2001. The average crediting interest rate was 5.87% at December 31, 2001. The fair value of the investment contract was \$50,853,111 at December 31, 2001.

4. NOTES RECEIVABLE - PARTICIPANTS

Notes receivable are secured by participants' vested balances. The notes are due in bi-weekly payments including principal and interest at varying rates reflective of the prime rate as of the time of issue. The final installments are due at various dates.

5. PLAN TERMINATION

Although it has not expressed 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.

6. TAX STATUS

The Plan obtained its latest determination letter on August 9, 1996 in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended during 2001 to incorporate language required by the passing of certain laws, commonly referred to as "GUST." The Plan Administrator has filed for a determination letter for the Plan as amended. The Plan Administrator and the Plan's tax counsel believe the Plan is correctly designed and operated with the applicable requirements of the Internal Revenue Code. Therefore, the Plan Administrator believes the Plan was qualified and the related trust tax exempt.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of assets held for investment purposes is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary data required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements

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and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/S/ Rubin, Brown, Gornstein & Co. LLP
 Rubin, Brown, Gornstein & Co. LLP
 St. Louis, Missouri

June 15, 2002

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

 E.I.N. 43-0921172 PLAN 006
 SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
 DECEMBER 31, 2001

IDENTITY OF ISSUER -----	DESCRIPTION OF INVESTMENT -----
MONEY MARKET	
Putnam Investments*	Putnam Money Market Fund
MUTUAL FUNDS AND COMMON/COLLECTIVE FUND	
American Fund Corporation*	American Century Income & Growth Fund
Barclay Global Investors	Barclay's Lifepath 2010
Barclay Global Investors	Barclay's Lifepath 2020
Barclay Global Investors	Barclay's Lifepath 2030
Barclay Global Investors	Barclay's Lifepath 2040
Franklin Investments	Franklin Templeton Balance Sheet Fund
PIMCO Investments*	PIMCO Total Return Fund
Putnam Investments*	Putnam Balanced Fund
Putnam Investments*	Putnam Growth Opportunities Fund
Putnam Investments*	Putnam OTC Emerging Growth Fund
Putnam Investments*	Putnam International Growth Fund
Putnam Investments*	Putnam S&P 500 Index
Putnam Investments*	Putnam Vista Fund
TOTAL MUTUAL FUNDS AND COMMON/COLLECTIVE FUND	
COMMON STOCK	
Arch Coal, Inc.*	Common stock
PARTICIPANT DIRECTED BROKERAGE ACCOUNTS	
CSFB	CSFB Direct Personal Choice
	Retirement Account (Participants
	Directed Brokerage Accounts)

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Balance Carried Forward

* Represents party-in-interest

The above information is a required disclosure for IRS Form 5500, Schedule H, Part IV, line 4i.

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ARCH COAL, INC. EMPLOYEE THRIFT PLAN

E.I.N. 43-0921172 PLAN 006
 SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
 DECEMBER 31, 2001

IDENTITY OF ISSUER -----	DESCRIPTION OF INVESTMENT -----
BALANCE BROUGHT FORWARD	
GUARANTEED INVESTMENT ACCOUNT -	
PRIMCO STABLE VALUE FUND	
Allstate Life Insurance Company	Synthetic GIC
Allstate Life Insurance Co. Wrapper	Synthetic GIC
Bank of America NT & SA	103-12IE
Bank of America NT & SA Wrapper	103-12IE
John Hancock Life Insurance	PSA
John Hancock Life Insurance Wrapper	PSA
JP Morgan Chase Bank	103-12IE
JP Morgan Chase Bank Wrapper	103-12IE
Monumental Life Insurance Company	Synthetic GIC
Monumental Life Insurance Company Wrapper	Synthetic GIC
Monumental Life Insurance Company	103-121E
Monumental Life Insurance Company Wrapper	103-12IE
State Street Bank & Trust	Synthetic GIC
State Street Bank & Trust Wrapper	Synthetic GIC
State Street Bank & Trust	103-12IE
State Street Bank & Trust Wrapper	103-12IE
UBS AG	Synthetic GIC
UBS AG Wrapper	Synthetic GIC
Boston Company	Common/Collective Trust
Bus Men's Assur-MBIA Insd	GIC
GE Life & Annuity Assurance Company	GIC
Jackson National Life	GIC
Monumental Life Insurance Company	GIC
Security Life of Denver	GIC
Other	Temporary Investments

GUARANTEED INVESTMENT ACCOUNT

Notes Receivable

PARTICIPANT LOANS

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SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the duly authorized Plan Administrator has executed this annual report.

ARCH COAL, INC. EMPLOYEE THRIFT PLAN

Date: June 28, 2002

By: /s/ Bradley M. Allbritten

Bradley M. Allbritten
Plan Administrator

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
23.1	Consent of Rubin, Brown, Gornstein & Co. LLP, Independent Auditors
23.2	Consent of Stone Carlie & Company, L.L.C., Independent Auditors