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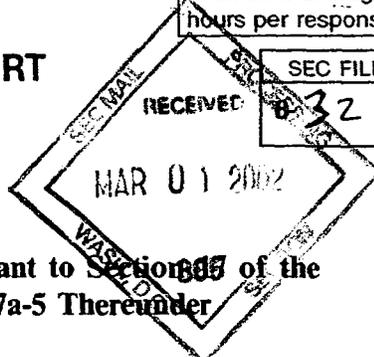
MISSION

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 805 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/2001 AND ENDING 12/31/2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Donaldson & Co., Incorporated

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2859 Paces Ferry Road, Suite 2125

Atlanta Georgia 30339
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Janice R. Fishbeck (770) 333-8300

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Smith & Howard, PC

1795 Peachtree Street, NE Suite 300 Atlanta, Georgia 30309
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

APR 04 2002

THOMSON FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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OATH OR AFFIRMATION

I, John K. Donaldson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Donaldson & Co., Incorporated, as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

John K. Donaldson
Signature
CEO
Title

Jenice B. Fishbeck
Notary Public
PUBLIC COBB COUNTY, GEORGIA
MY COMMISSION EXPIRES APRIL 20, 2003

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report. N/A
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DONALDSON & CO., INCORPORATED
BALANCE SHEET
DECEMBER 31, 2001

ASSETS

Current Assets	
Cash and short-term investments	\$ 8,472,195
Reserve for exclusive benefit of customers	2,792,216
Trading securities	148,682
Commissions receivable	9,493,427
Other receivables	161,189
Due from affiliate (Note D)	7,579
Prepaid soft dollar expenses	2,295,941
Prepaid expenses	<u>69,540</u>
Total Current Assets	23,440,769
Property and Equipment, at Cost	
Automobiles	204,714
Furniture and equipment	<u>299,083</u>
	503,797
Less accumulated depreciation	<u>(240,589)</u>
	263,208
Other Assets	
Deposits	<u>50,000</u>
	<u><u>\$ 23,753,977</u></u>

See accompanying notes and independent auditors' report.

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	
Accrued soft dollar and commission recapture	\$ 11,939,224
Accrued expenses	563,450
Current portion of long-term debt (Note E)	<u>16,827</u>
Total Current Liabilities	12,519,501
Long-Term Debt, Net of Current Portion (Note E)	43,572
Commitments (Note B)	
Stockholder's Equity	
Common stock - \$1 par value, 100,000 shares authorized, 50,000 shares issued and outstanding	50,000
Additional paid-in capital	351,000
Retained earnings	<u>10,789,904</u>
	<u>11,190,904</u>
	<u>\$ 23,753,977</u>

DONALDSON & CO., INCORPORATED
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2001

~~CONFIDENTIAL~~

Revenues	
Commissions (Note A)	\$ 85,407,591
Concessions	159,303
Mutual funds	<u>792,634</u>
	86,359,528
Expenses	<u>79,179,525</u>
	7,180,003
Other Income (Expenses)	
Interest income	396,314
Realized gain on trading securities	8,020
Unrealized gain on trading securities	104,658
Loss on disposal of property and equipment	(75,152)
Interest expense	(63,261)
Other expense	<u>(20,564)</u>
	<u>350,015</u>
Net Income	<u>\$ 7,530,018</u>

See accompanying notes and independent auditors' report.