

SECUR



02005435

MISSION

chr

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden hours per response . . . 12.00

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

SEC FILE NUMBER
8- 47867

RECEIVED FEB 28 2002

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

DONNER CORP. INTERNATIONAL

OFFICIAL USE ONLY
FIRM ID. NO.

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

2961 W. MACARTHUR BLVD., SUITE 120

(No. and Street)

SANTA ANA,

CA

92704

(City)

(State)

(Zip Code)

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

JEFFREY L. BACLET

(800) 324-6050

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SPICER, JEFFRIES & CO.

(Name - if individual, state last, first, middle name)

4155 EAST JEWELL AVENUE, SUITE 307

DENVER

COLORADO

80222

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 19 2002

THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

*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).

883-18

OATH OR AFFIRMATION

I, JEFFREY L. BACLET, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DONNER CORP. INTERNATIONAL, 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:

Jeffrey L. Baclet
Signature

PRESIDENT

Title

Hillal Baradehi 2/27/02
Notary Public



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 Cash Flows.
- (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 report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control Required By

SEC Rule 17a-5
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DONNER CORP. INTERNATIONAL

CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Shareholder's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 9
Supplementary Schedules:	
Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1	10
Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5	11-12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Donner Corp. International

We have audited the accompanying statement of financial condition of Donner Corp. International as of December 31, 2001, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended. 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 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 financial position of Donner Corp. International as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Spicer, Jeffries & Co.

Denver, Colorado
February 12, 2002

DONNER CORP. INTERNATIONAL
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

Cash and cash equivalents	\$ 150
Deposit with clearing broker	10 674
Commissions receivable	4 702
Furniture and equipment, net of accumulated depreciation of \$4,772	3 435
Other	<u>5 800</u>
	<u>\$ 24 761</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES	<u>\$ -</u>
CONTINGENCIES (Notes 5)	
SHAREHOLDER'S EQUITY (Note 2):	
Common stock, no par value; 1,500 shares authorized, issued and outstanding	100
Additional paid-in capital	86 376
Deficit	<u>(61 715)</u>
<i>Total shareholder's equity</i>	<u>24 761</u>
	<u>\$ 24 761</u>

DONNER CORP. INTERNATIONAL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUE:

Commissions and trading profit, net	\$ 229 756
Consulting fees	467 366
Other	<u>4 795</u>

Total revenue 701 917

EXPENSES:

Commissions	5 587
Clearing charges	23 322
Management fees (Note 3)	671 598
General and administrative	<u>17 010</u>

Total expenses 717 517

NET LOSS **\$ (15 600)**

DONNER CORP. INTERNATIONAL

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Deficit</u>
BALANCES, December 31, 2000	\$ 100	\$ 80 376	\$ (46 115)
Capital contributions	-	6 000	-
Net loss	-	-	(15 600)
BALANCES, December 31, 2001	<u>\$ 100</u>	<u>\$ 86 376</u>	<u>\$ (61 715)</u>

DONNER CORP. INTERNATIONAL

**STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$	(15 600)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		1 642
Increase in deposit with clearing broker		(226)
Decrease in commissions receivable		3 652
Decrease in accounts payable		(150)
Decrease in commissions payable		<u>(4 177)</u>
<i>Net cash used in operating activities</i>		(14 859)

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in other assets		(1 500)
--------------------------	--	---------

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital contributions		<u>6 000</u>
-----------------------	--	--------------

NET DECREASE IN CASH AND CASH EQUIVALENTS (10 359)

CASH AND CASH EQUIVALENTS, at beginning of year 10 509

CASH AND CASH EQUIVALENTS, at end of year \$ 150

DONNER CORP. INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donner Corp. International (the Company) was incorporated in Florida on March 22, 1994. The Company is registered as a broker-dealer in securities with the Securities and Exchange Commission.

The Company records securities transactions and related revenue and expenses on a settlement date basis, unless materially different on a trade date basis.

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the Act). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

For purposes of cash flows, the Company considers money market funds with maturity of three months or less to be cash equivalents.

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 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.

The Company utilizes the asset and liability method of accounting for income taxes, as prescribed by Statement of Financial Accounting Standards No. 109. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in income in the period that includes the enactment date.

NOTE 2 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2001, the Company had net capital and net capital requirements of \$15,526 and \$5,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 0 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

DONNER CORP. INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - RELATED PARTY TRANSACTIONS

An affiliated entity provides office space, utilities, administrative salaries and other operating expenses under a management fee agreement. Management fees of \$671,598 were paid to the affiliated entity during the year ended December 31, 2001.

NOTE 4 - INCOME TAXES

The Company has a net operating loss carryforward for income tax purposes of approximately \$60,000 available to offset future taxable income, of which approximately \$44,000 expires in 2020 with the remainder expiring in 2021. These net operating loss carryforwards may result in future income tax benefits of approximately \$20,000 however, since realization is uncertain at the present time a valuation allowance in the same amount has been recorded. For the period ending June 30, 2001, the valuation allowance increased by \$5,300.

***NOTE 5 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS,
UNCERTAINTIES AND CONTINGENCIES***

In the normal course of business, the Company's client activities ("client") through its clearing broker involve the execution, settlement, and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

The Company's financial instruments, including cash and cash equivalents, deposit with clearing broker, commissions receivable and other assets are carried at amounts which approximate fair value due to the short-term nature of those instruments.

The Company is involved in various litigation arising in the normal course of business that is in the preliminary stages. In these matters, large and/or indeterminate amounts are sought. Management after review and discussion with counsel, believes the Company has meritorious defenses and intends to vigorously defend itself in these matters, but it is not feasible to predict or determine the final outcomes at the present time.

SUPPLEMENTARY INFORMATION

DONNER CORP. INTERNATIONAL

**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM
NET CAPITAL RULE 15c3-1
DECEMBER 31, 2001**

CREDITS:

Shareholder's equity \$ 24 761

DEBITS:

Non-allowable assets:

Furniture and equipment, net 3 435

Other assets 5 800

Total debits 9 235

NET CAPITAL 15 526

Minimum requirements of 6 2/3% of aggregate indebtedness
of \$-0- or \$5,000 whichever is greater 5 000

Excess net capital \$ 10 526

AGGREGATE INDEBTEDNESS: -

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL 0 to 1

NOTE: There are no material differences in the above computation of net capital with that included in the Company's corresponding unaudited Form X-17A-5 Part II Filing, as of December 31, 2001.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors
Donner Corp. International

In planning and performing our audit of the financial statements and supplemental schedule of Donner Corp. International for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Donner Corp. International that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3; and (ii) for safeguarding the occasional receipt of securities and cash until promptly transmitted to the Company's clearing brokers. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of Donner Corp. International to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

In addition, our review indicated that Donner Corp. International was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2001, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Spicer, Jeffries & Co.

Denver, Colorado
February 12, 2002

DONNER CORP. INTERNATIONAL
REPORT PURSUANT TO RULE 17a-5(d)
YEAR ENDED DECEMBER 31, 2001