FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

MCDONALD & CO INVESTMENTS INC

CIK:**720900**| IRS No.: **341391950** | State of Incorp.:**DE** | Fiscal Year End: **0331**
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SIC: **6211** Security brokers, dealers & flotation companies

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended March 28, 1997

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from________________ to ________________

Commission file number 1-8526

McDONALD & COMPANY INVESTMENTS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	34-1391950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

McDonald Investment Center 800 Superior Avenue, Cleveland, Ohio	44114
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (216) 443-2300

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange
Series A Junior Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes X No

As of May 30, 1997, 9,018,938 shares of Common Stock, par value $1.00 per share, were outstanding, and the aggregate market value of the shares of Common Stock of the Registrant held by non-affiliates (based upon the closing price of the Registrant's shares on the New York Stock Exchange on May 30, 1997, which was $38.375 per share) was $294,816,820. For purposes of this information, the outstanding shares of Common Stock which were owned by all Directors and executive officers of the Registrant, were deemed to be the shares of Common Stock held by affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be used in connection with its Annual Meeting of Stockholders to be held on July 30, 1997 are incorporated by reference into Part III of this Report.

Except as otherwise stated, the information contained in this Report on Form 10-K is as of March 28, 1997.

PART I

ITEM 1. BUSINESS.

(a) GENERAL DEVELOPMENT OF BUSINESS

McDonald & Company Investments, Inc. is a holding company which was incorporated under the laws of the State of Delaware on May 20, 1983. As used in this Report, the "Company" refers, unless the context requires otherwise, to McDonald & Company Investments, Inc. and its subsidiaries. McDonald & Company Investments, Inc. conducts substantially all of its business through its principal subsidiary, McDonald & Company Securities, Inc. ("McDonald Securities"), which operates a regional investment banking, investment advisory and brokerage business. The Company also provides personal trust services through its wholly-owned subsidiary, McDonald Trust Company.

Effective October 4, 1991, the Company entered into an agreement of Merger with Gradison & Company Incorporated, ("Gradison"). Gradison operated as a full-service regional brokerage and investment advisory firm headquartered in Cincinnati, Ohio with a primary market of southwestern Ohio and northern Kentucky. Subsequent to the merger, Gradison operates as a division of McDonald Securities. The merger allowed the Company to increase the size of its retail sales force and its customer base and gave the Company a strong presence in southwestern Ohio. Gradison also added significant asset management capabilities to the Company.

The Company's executive offices are located at McDonald Investment Center, 800 Superior Avenue, Cleveland, Ohio 44114-2603 and its telephone number is (216) 443-2300. The Company has 22 other offices in Ohio (including the Gradison Division in Cincinnati, Ohio and the S. J. Wolfe Division in Dayton, Ohio) and 19 additional offices in 10 other states.

(b) INDUSTRY SEGMENT DATA

The Company is engaged in one line of business, that of a securities broker-dealer, which is comprised of several classes of products or services including underwriting and investment banking, principal and agency transactions, and investment advisory services.

ITEM 1. BUSINESS--Continued

(c) NARRATIVE DESCRIPTION OF BUSINESS

GENERAL

The Company, through its principal subsidiary, McDonald Securities, operates a regional investment banking and brokerage business. The Company's activities include the origination, underwriting, distribution, trading and brokerage of fixed income and equity securities, investment advisory services, and investment research and other related services. On July 20, 1983, the Company succeeded to the business of McDonald & Company, a partnership, which was established in 1927. The Company has expanded to its present size primarily through internal growth rather than by acquisition, except for the merger with Gradison.

The Company serves institutional customers which are located throughout the United States and in Canada, Europe, and the Far East. The Company's retail (individual) customers are primarily located in the tri-state region of Ohio, Michigan and Indiana. For the fiscal year ended March 28, 1997, approximately 53% of total revenues were derived from retail customers, 21% from institutional customers, 18% from non-customer related principal transactions, investment banking fees and other activities and 8% from interest and dividend income.

The Company has formulated a comprehensive strategic plan, which is periodically reviewed and revised as business conditions dictate. The plan emphasizes the Company's historical roots as a regional brokerage and investment banking firm. The Company has focused on the Ohio, Michigan and Indiana area by increasing the number of investment brokers covering individual investors, as well as increasing investment banking activities in the region. The merger with Gradison has enabled the Company to expand its retail sales force and its customer base in southwestern Ohio and northern Kentucky, and has added significantly to the Company's asset management capabilities.

McDonald Securities is a member of the New York Stock Exchange, Inc. (the "NYSE"), the American Stock Exchange, Inc. (Associate), the Midwest Stock Exchange, Inc., the Philadelphia Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. (the "NASD"). The Company is also a member of the Securities Investor Protection Corporation ("SIPC").

The Company has a total of 42 offices in 11 states, all of which offices are leased. The Company has approximately 1,300 employees, of whom 322 are full-time retail investment consultants and 81 are full time institutional investment consultants.

ITEM 1. BUSINESS--Continued

REVENUES BY SOURCE

The following table sets forth the revenues of the Company on a comparative basis for the three most recent fiscal years.
<TABLE>
<CAPTION>

	McDonald & Company Investments, Inc.					
	Fiscal Year Ended					
	March 28, 1997		March 29, 1996		March 31, 1995	
(Dollar amounts in thousands)						
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Underwriting and investment banking:						
Corporate	$ 60,651	23%	$ 45,672	20%	$ 30,045	17%
Limited partnership investments	9,043	3	4,161	2	4,000	2
Municipal	3,917	1	5,826	3	7,906	4
	73,611	27	55,659	25	41,951	23
Principal transactions:						
Unlisted stocks	22,411	9	21,457	9	16,340	9

Corporate bonds and preferred stocks	11,303	4	10,914	5	11,073	7
Municipal bonds	10,128	4	9,001	4	7,346	4
Government bonds	6,130	2	6,470	3	5,768	3
Mortgage-backed securities	5,270	2	6,180	3	5,479	3
Other	143	1	79	1	(123)	(1)
	55,385	22	54,101	25	45,883	25
Commissions:						
Listed stocks	37,426	14	33,860	15	26,388	15
Mutual funds and money market funds	25,210	9	19,588	8	13,914	8
Unlisted stocks	10,618	4	8,411	4	4,867	3
Annuities	5,356	2	3,510	2	3,963	2
Options	1,297	1	1,129	1	922	1
	79,907	30	66,498	30	50,054	29
Investment management fees:						
Investment advisory fees	14,717	6	10,333	5	6,935	4
Mutual funds and money market funds	10,419	4	9,509	4	9,026	5
	25,136	10	19,842	9	15,961	9
Interest and dividends	20,406	8	17,170	8	19,197	11
Other	7,052	3	7,351	3	4,680	3
Total revenues	$261,497	100%	$220,621	100%	$ 177,726	100%

</TABLE>

UNDERWRITING AND INVESTMENT BANKING

McDonald Securities participates in corporate and municipal securities distributions as a manager or co-manager of an underwriting syndicate or as a member thereof, or as a member of a selling group. Municipal securities are obligations issued by state and local governments, hospitals, public utility systems and industrial development authorities.

Revenues from underwriting and investment banking activities are highly dependent on general market conditions for such business activities. Market conditions for underwriting and investment banking services can be affected by political and economic events both in the United States and abroad. To the extent future events are unpredictable, uncertainty will be a factor in the level of McDonald's business activity. Also, competitive pressure from other investment bankers has an effect on the success of McDonald Securities in obtaining such business and on the prices which can be charged for investment banking and underwriting services. The management of McDonald Securities believes it can compete effectively in this segment of its business activities.

Participation in an underwriting syndicate or selling group involves both economic and regulatory risks. An underwriter or selling group member may incur losses if it is forced to resell the securities it is committed to purchase at less than the agreed purchase price. In addition, under the federal securities laws, other statutes and court decisions with respect to underwriters' liabilities and limitations on indemnification of underwriters by issuers, an underwriter is subject to substantial potential liability for material misstatements or omissions in prospectuses and other communications with respect to underwritten offerings. Further, underwriting or selling commitments constitute a charge against net capital, and the Company's underwriting or selling commitments may be limited by the requirement that it must at all times be in compliance with the net capital rule. See "Net Capital Requirements."

In addition to its underwriting and selling group activities, McDonald Securities engages in structuring, managing and marketing private offerings of corporate and municipal securities, and assists in arranging mergers, acquisitions, divestitures, lease financing and venture capital financing. The Company provides valuation and financial consulting services for gift and estate tax purposes, employee stock ownership trusts, mergers, acquisitions, stock purchase agreements, and other corporate purposes, as well as valuations for public companies in the process of going private.

McDonald Securities also markets investments in real estate, primarily qualified low-income housing tax credit funds, and similar ventures. These investments generally are in the form of limited partnership interests, which are primarily marketed to institutional investors. In most cases McDonald Securities originates such programs, and other subsidiaries of the Company may act as a general partner.

ITEM 1. BUSINESS--Continued

PRINCIPAL TRANSACTIONS

McDonald Securities actively engages in trading as principal in various phases of the over-the-counter securities business. To facilitate trading by its customers, McDonald Securities buys, sells and maintains inventories of municipal bonds, corporate bonds, government bonds, mortgage-backed securities, common stocks and preferred stocks in order to "make markets" in those securities. Revenues from principal transactions depend upon the general trend of prices and level of activity in the securities market, the skill of employees in market-making areas and the size of the inventories. Activities in trading as a principal require the commitment of capital and create an opportunity for profit and risk of loss due to market fluctuations. As of March 28, 1997, McDonald Securities made markets in the common stock or other equity securities of approximately 300 NASDAQ-quoted corporations, as well as other corporations with less actively traded securities. McDonald Securities has acted as a managing underwriter for and provides research coverage of certain of these corporations.

In executing customers' orders to buy or sell in the over-the-counter market in a security in which it makes a market, McDonald Securities sells to or purchases from its customers at a price which is approximately equal to the current inter-dealer market price, plus or minus a markup or markdown. Alternatively, McDonald Securities may act as agent and execute a customer's purchase or sale order with another broker-dealer which acts as a market-maker at the best inter-dealer market price available and charge a commission.

The Securities and Exchange Commission has recently adopted significant market structure rules under the Securities and Exchange Act of 1934 involving the handling and execution of customer limit orders. A market maker in over-the-counter securities is now required to display in their quote the price and full size of customer limit orders. In addition, market makers are also required to display in their quote any better priced orders that the market maker places into an electronic network such as Selectnet or Instinet, unless an alternative provided by the rule is available. The effect of these rules will be to narrow spreads on NASDAQ trades and to reduce the potential for trading profit on dealer to dealer trades. Approximately 20% of the NASDAQ-quoted companies in which McDonald Securities makes a market are currently subject to these rules. Eventually, 100% of these companies will be subject to these rules. As more companies become subject to these rules, McDonald Securities' profitability from trading NASDAQ-quoted companies will be reduced.

McDonald Securities is a dealer in corporate, mortgage-backed, and government fixed income securities which are carried in inventory primarily for distribution to individual and institutional customers. McDonald Securities buys, sells and positions mortgage-derivative securities and structured notes. Holdings of high-yield securities are not material. McDonald Securities may enter into short positions in United States Treasury securities in order to hedge its interest rate risk related to fixed income securities.

The Company's securities positions are subject to fluctuations in market value and liquidity. The Company seeks to minimize the risks associated with owning securities by monitoring its security positions on an ongoing basis. The Company marks its securities to market daily. In addition, each trading department adheres to a risk limit and a capital commitment limit determined by senior management. Senior management regularly reviews the Company's securities positions to ensure that these limits are not exceeded.

COMMISSIONS

In executing customers' orders to buy or sell listed securities and unlisted stocks and bonds in which it does not make a market, McDonald Securities generally acts as an agent and charges a commission which is competitive within the industry.

INVESTMENT MANAGEMENT FEES

Revenues from investment management fees include advisory fees from the Company's mutual funds and money market funds and investment advisory fees earned related to individual managed accounts.

Under asset management programs, the Company provides investment advisory services to individual, corporate and employee benefit plan clients. Investment advisory fees for the fiscal year ended March 28, 1997 from individual managed accounts represented approximately 58% of total revenues from investment management fees.

As of March 28, 1997, McDonald Securities is the investment advisor to and the distributor of the following mutual funds: Gradison-McDonald Cash Reserve Trust, which is comprised of one portfolio, Gradison U.S. Government Reserves ("GMU", a money market fund investing in U.S. Government Securities), Gradison Custodian Trust, which is comprised of one portfolio, Gradison Government Income Fund ("GIF", a U.S. Government Securities income fund), Gradison-McDonald Municipal Custodian Trust, which is comprised of one portfolio, Gradison Ohio Tax-Free Income Fund ("GMO", a double tax-free income fund for Ohio investors), Gradison Growth Trust, which is comprised of four portfolios, Gradison Established Value Fund ("EST", a common stock fund investing in large, established companies), Gradison Opportunity Value Fund ("OPP", a common stock fund investing in small companies), Gradison Growth & Income Fund ("GRI", a common stock fund seeking long-term growth of capital, current income and growth of income) and Gradison International Fund ("INT", a common stock fund investing in non-United States companies). INT was established during the fiscal year ended March 29, 1996. All of these funds are diversified, open-end management investment companies.

As of March 29, 1996, McDonald Securities was also the investment advisor to and sole distributor of Gradison-McDonald Intermediate Municipal Income Fund ("IMI," an intermediate term municipal income fund), a portfolio in the Gradison-McDonald Municipal Custodian Trust. IMI, a diversified, open-ended management investment company, was liquidated on August 16, 1996.

The following summarizes the number of accounts and the size of each of the Funds as of March 28, 1997 and March 29, 1996:
<TABLE>
<CAPTION>

	March 28, 1997		March 29, 1996	
Funds	Accounts	$ (in thousands)	Accounts	$ (in thousands)
<S>	<C>	<C>	<C>	<C>
Gradison-McDonald Cash Reserve Trust				
U.S. Government Reserves	91,036	1,555,308	85,080	1,414,256
Gradison Custodian Trust				
Government Income Fund	4,744	155,799	5,337	180,652
Gradison-McDonald Municipal Custodian Trust:				
Ohio Tax-Free Income Fund	1,464	76,336	1,578	72,100
Intermediate Municipal Income Fund	--	--	272	13,594
Gradison Growth Trust:				
Established Value Fund	15,049	443,385	13,859	363,005

Opportunity Value Fund	6,340	117,469	6,151	99,636
Growth & Income Fund	1,783	26,007	876	11,591
International Fund	1,881	24,372	1,196	14,067
Total	122,297	2,398,676	114,349	2,168,901

</TABLE>

ITEM 1. BUSINESS--Continued

INVESTMENT MANAGEMENT FEES (cont.)

The investment advisory fees received from these funds are directly related to the amounts invested in the funds. Accordingly, McDonald Securities' investment advisory fees from the investment companies would be reduced in the future if the amounts invested in the funds decrease.

McDonald Securities also receives reimbursements from the Gradison Funds for providing such funds with data processing, shareholder services and other miscellaneous services.

INTEREST AND DIVIDENDS

A significant portion of the Company's pretax income is derived from interest income net of interest expense. The amount of interest and dividend income is directly impacted by the level of securities owned and customer margin account balances, and by general fluctuations in interest rates. Approximately 57% of interest and dividend income represents interest charged to customers on the amount borrowed to finance margin transactions. The rate of interest charged to customers is based on the broker's call money rate (the interest rate on bank loans to brokers secured by firm and customers' margin account securities) to which an additional amount, up to 2.5%, is added depending on the size of the debit balance. Approximately 33% of the Company's interest and dividend income is generated from securities owned. Of the remaining 10% of the Company's interest and dividend income, approximately 8%, is generated from securities borrowed and approximately 2% represents dividend income.

OTHER

During the fiscal year ended March 28, 1997, approximately 29% of other income represents service fees, IRA administration fees, and other retail-related revenues compared to 27% and 37%, respectively, for the fiscal years ended in March 1996 and 1995. Approximately 44% of other income represents transfer agent fees and other fees derived from the Company's money market and mutual funds compared to 36% and 49%, respectively, for the fiscal 1996 and 1995 years. For the fiscal year ended March 28, 1997, 17% of other income represented revenues related to certain venture capital investments, compared to 24% in fiscal 1996 and 6% in fiscal 1995. The Company periodically invests in venture capital and other investments in the form of limited partnerships, general partnerships and equity positions. Miscellaneous income represented 10%, 13% and 8% of other income, respectively, in the fiscal years ended March 1997, 1996 and 1995.

RETAIL BUSINESS

During the fiscal year ended March 28, 1997, approximately 72% of the Company's total revenues from customers were from individuals. During the fiscal year ended March 28, 1997, approximately 28% of the revenues from individual accounts were derived from agency transactions in listed and unlisted securities. Individual commission rates on agency transactions are based upon a schedule which is competitive within the securities industry. Discounts from the schedule may be granted to retail customers on large trades.

Approximately 29% of revenues from individual customers were derived from propriety and nonpropriety mutual funds. These revenues include sales charges, fees received from the funds under Section 12(b)(1), and advisory fees and other fee income related to the propriety mutual funds. Approximately 20% of retail-related revenues are derived from principal transactions in equity and debt securities. The remaining 23% of retail-related revenues include revenues from the sale of investment banking products and revenues from the sale of annuities, life insurance and other products.

INSTITUTIONAL BUSINESS

During the fiscal year ended March 28, 1997, approximately 28% of the Company's total revenues from customers were from institutions. Institutional customers include banks, insurance companies, thrift institutions, pension funds, mutual funds and money managers. During the fiscal year ended March 28, 1997, approximately 50% of the revenues from institutional accounts were derived from principal transactions, 31% from investment banking and 19% from agency transactions. Commissions charged on agency transactions on behalf of institutional customers are on a negotiated basis and represent a significant discount from the Company's retail commission schedule.

MARGIN ACCOUNTS

Customers' transactions in securities are effected on either a cash or margin basis. Purchases and sales on a cash basis require full payment or delivery of securities by the designated settlement date, generally the third business day following the transaction date. McDonald Securities is at risk in the event a customer fails to settle a trade and the value of the securities declines, for a customer purchase or increases, for a customer sale, subsequent to the transaction date. In a margin account, the customer pays a portion of the cost of securities purchased and the broker-dealer makes a loan for the balance, secured by the securities purchased or other securities owned by the investor. The amount of the loan is subject to the margin regulations (Regulation T) of the Board of Governors of the Federal Reserve System, NYSE margin requirements and McDonald Securities' internal policies, which in some instances are more stringent than Regulation T or NYSE margin requirements. Currently, in most transactions Regulation T limits the amount loaned to a customer for the purchase of a particular security to 50% of the purchase price. In the event of a decline in the market value of the securities in a customer's margin account, a member firm, under NYSE rules, is required to have the customer deposit cash or additional securities so that the loan to the customer is no greater than 75% of the value of collateral securities in the account. In permitting customers to purchase securities on margin, McDonald Securities is subject to the risk of a market decline which could reduce the value of its collateral below the customers' indebtedness.

SECURITY REPURCHASE ACTIVITIES

McDonald Securities acts as principal in the purchase and sale to its customers of securities of the United States Government and its agencies, including repurchase agreements in such securities. McDonald Securities may match purchases and sales of these securities and is at risk to the extent that it does not properly match the contracts or their customers are unable to meet their obligations, especially during periods of rapidly changing interest rates and fluctuations in market conditions. All positions are collateralized. McDonald Securities generally takes physical possession of securities purchased under agreements to resell. Such agreements provide McDonald Securities with the right to maintain the relationship between the market value of the collateral and the receivable. Typically, these contracts are entered into only with clients of substantial size and credit-worthiness. McDonald Securities also utilizes securities sold under repurchase agreements as a means of financing portions of its trading inventories and facilitating hedging transactions.

SECURITIES BORROWING AND LENDING ACTIVITIES

McDonald Securities borrows securities from other brokers and dealers to facilitate short sales and clearance and delivery of securities that have been sold by their customers when such customers fail to deliver securities prior to settlement date. McDonald Securities also borrows securities to cover short positions in NASDAQ securities in the ordinary course of business in its over-the-counter trading operations. McDonald Securities pays to the lending broker a cash deposit generally equal to 102 percent of the market value of the securities borrowed and receives interest on the cash deposit. McDonald Securities is at risk to the extent that the securities it borrows decline in value and the loaning broker fails to return McDonald Securities' cash deposit.

When engaging in securities lending activities, McDonald Securities lends excess customer margin securities to the borrowing broker and collects cash deposits that collateralize the securities loaned. In securities lending transactions, McDonald Securities is at risk to the extent that it does not maintain the relationship between the market value of securities loaned and the value of the cash deposit held.

RESEARCH SERVICES

McDonald Securities maintains both an equity and fixed income research staff which concentrates its efforts on regional research services for both retail and institutional customers. McDonald Securities employs 26 equity analysts who cover approximately 250 companies, a majority of which maintain their headquarters in the Midwest. 9 of the 26 analysts are Chartered Financial Analysts.

Research services are made available generally without charge to customers. Research services include the review and analysis of the economy, general market conditions, industries and specific companies; recommendation of specific action with regard to industries and specific companies; review of customer portfolios; the furnishing of information to retail and institutional customers; and responses to inquiries from customers and investment brokers. In addition, McDonald Securities purchases several outside research services which provide its customers with research more national in scope.

Management believes that a significant portion of its institutional equity business is attributable to research services. McDonald Securities provides services to a nationwide institutional base as well as to institutional clients in Canada, England, Scotland, Germany, Switzerland and the Far East.

COMPETITIVE FACTORS

Considerable consolidation has occurred in the securities industry as numerous securities firms have either ceased operation or been acquired by other securities firms, in many cases resulting in firms with greater financial resources than firms such as McDonald Securities. In addition, a number of substantial companies (mostly commercial banks) not previously engaged in the securities business have made investments in and acquired securities firms. These developments have resulted in significant additional competition for McDonald Securities. Increasing competitive pressures in the securities industry are requiring regional firms such as McDonald Securities to offer to their customers many of the financial services which are provided by much larger securities firms that have substantially greater resources and may have greater operating efficiencies than McDonald Securities.

COMPETITIVE FACTORS (cont.)

McDonald Securities competes with other securities firms and with banks, insurance companies, and other financial institutions principally on the basis of service, product selection, price, location and reputation in local markets. McDonald Securities operates at a price disadvantage to discount brokerage firms that do not offer equivalent services. These firms generally effect transactions at lower commission rates on an "execution only" basis, without offering other services such as investment advice and research which are provided by "full-service" brokerage firms such as McDonald Securities. In addition, some discount brokerage firms have increased the range of services which they offer. The existence of and anticipated continued increase in the number of discount brokerage firms and services provided by such firms may adversely affect the Company.

Certain institutions, notably commercial banks and thrift institutions, have become a competitive factor by offering certain investment banking and corporate and individual financial services traditionally provided only by securities firms. With the prior approval of the Federal Reserve, securities subsidiaries of bank holding companies may now underwrite and deal in corporate debt and equity securities, provided that they comply with certain firewalls and that the revenues from such activities do not exceed 25 percent of the securities subsidiary's total revenues. Legislative proposals currently under consideration would eliminate this limit on such activities and would permit banks, bank holding companies and their subsidiaries and affiliates to offer additional services which have traditionally been provided only by securities and money management firms. While it is presently not possible to predict the type and extent of competitive services which banks and other institutions ultimately may offer or the extent to which administrative or legislative barriers will be repealed or modified, to the extent that such services are offered on a large scale, securities firms such as McDonald Securities may be adversely affected.

EMPLOYEES

The Company has 1,291 employees, of whom 18 have senior managerial responsibilities, 403 are full-time investment brokers, 250 are engaged in other production areas, including trading, research, investment banking, and investment advisory, and 620 are employed in processing securities transactions, accounting, management information systems, mutual fund services, personnel and other administrative services.

Competition among securities firms and other competitors for successful investment brokers, securities traders, investment bankers and research analysts is intense. The Company recognizes the importance of hiring, training and retaining investment brokers. The Company trains new investment brokers who are required to take examinations given by the NYSE, the NASD and various states in order to be registered and qualified. The Company also provides ongoing training programs for investment brokers. The Company has experienced a relatively low rate of turnover of investment brokers. From time to time, however, the Company experiences the loss of valuable personnel.

The Company considers its employee relations to be good and believes that its compensation and employee benefits, which include medical, life and disability insurance, and a 401(k) defined contribution and profit-sharing plan, are competitive with those offered by other securities firms. None of the Company's employees is covered by a collective bargaining agreement.

ITEM 1. BUSINESS--Continued

REGULATION

The securities industry in the United States is subject to extensive regulation under federal and state laws. The Securities and Exchange Commission (the "Commission") is the federal agency charged with administration of the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally the NASD and the national securities exchanges. These self-regulatory organizations adopt rules (which are subject to approval by the Commission) which govern the industry and conduct periodic examinations of member broker-dealers. Securities firms are also subject to examination by state securities commissions in the states in which they are registered. McDonald Securities is currently registered as a broker-dealer in all states. In addition, McDonald Securities is registered as a broker-dealer with the Commission.

The regulations to which broker-dealers are subject cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, capital structure of securities firms, record-keeping and the conduct of directors, officers and employees. Additional legislation, changes in rules promulgated by the Commission and by self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The Commission and the self-regulatory organizations may conduct administrative proceedings which can result in censure, fine, suspension or expulsion of a broker-dealer, its officers or employees. The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities market rather than protection of creditors and stockholders of broker-dealers.

The Company anticipates regulation of the securities industry to increase and for compliance with regulations to become more difficult. At present the Company is unable to predict the extent of changes that may be enacted, or the effect on the Company's business.

McDonald Securities' Compliance Committee has the responsibility of performing reviews to provide reasonable assurance that the officers, directors, and employees comply with the regulatory requirements of the Commission, self-regulatory agencies, and McDonald Securities' internal requirements.

McDonald Securities is required by federal law to belong to the SIPC. When the SIPC fund falls below a certain minimum amount, members are required to pay annual assessments to restore the fund. The SIPC fund provides protection for securities held in customer accounts up to $500,000 per customer, with a limitation of $100,000 on claims for cash balances.

NET CAPITAL REQUIREMENTS

As a broker-dealer and member of the NYSE, McDonald Securities is subject to the Uniform Net Capital Rule promulgated by the Commission (Rule 15c3-1) which provides that a broker-dealer doing business with the public shall not permit its aggregate indebtedness (as defined) to exceed 15 times its net capital (as defined) or, alternatively, that its net capital shall not be less than 2% of aggregate debit balances (primarily receivables from customers) computed in accordance with Rule 15c3-3. The Rule is designed to measure the general financial integrity and liquidity of a broker-dealer and the minimum net capital deemed necessary to meet the broker-dealer's continuing commitments to its customers. Management believes that the alternative method is more directly related to the level of customer business, therefore McDonald Securities computes its net capital under the alternative method.

ITEM 1. BUSINESS--Continued

NET CAPITAL REQUIREMENTS (cont.)

A broker-dealer may be required to reduce its business if its net capital is less than 4% of aggregate debit balances and may be prohibited from expanding its business or declaring cash dividends if its net capital is less than 5% of aggregate debit balances. In addition, a broker-dealer may be subject to disciplinary action by the Commission and self-regulatory agencies, such as the NYSE, including fines, censure, suspension or expulsion.

Under Rule 15c3-1 a broker-dealer is required to provide advance written notice to the Commission of any loan, unsecured advance, or withdrawal of equity capital which exceeds, in any 30 day period, 30% of excess net capital. Additionally, written notice must be given to the Commission of any loan, unsecured advance, or withdrawal of equity capital which exceeds, in any 30 day period, 20% of excess net capital, within two business days subsequent to the transaction.

In computing net capital, various adjustments are made to net worth with a view to excluding assets which are not readily convertible into cash and to a conservative statement of the other assets such as a firm's position in securities. Compliance with the Uniform Net Capital Rule may limit those operations of a firm which require the use of its capital for purposes of maintaining the inventory required for trading in securities, underwriting securities and financing customer margin account balances. A significant operating loss or an extraordinary charge against net capital could adversely affect the ability of a broker-dealer to expand or even maintain its present level of business. Net capital and aggregate debit balances change from day to day. At March 28, 1997, McDonald Securities' net capital was $78,724,000 which was 39% of its aggregate debit balances and $74,686,000 in excess of the minimum required net capital.

McDonald Securities has outstanding $25,000,000 in aggregate principal amount of 8.24% Subordinated Notes due January 15, 2002. McDonald Securities is required to prepay principal amounts of $5,000,000 on January 15 in each year beginning in 1998. The notes are subordinated in right of payment to all senior indebtedness and general creditors of McDonald Securities. The principal amount of the notes has been approved by the New York Stock Exchange Inc. for inclusion in the regulatory capital of McDonald Securities.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Not Applicable.

ITEM 2. PROPERTIES.

The Company has a total of 42 offices in 11 states, all of which are leased under lease agreements expiring from 1997 to 2009. Certain of these leases have renewal options. The table below sets forth the location of each of the Company's offices and the number of full-time investment brokers in each office:

<TABLE>

<S>	<C>	<C>
HEADQUARTERS	Mansfield (4)	KENTUCKY

Cleveland (55)

DIVISIONS

Gradison Division
Cincinnati, Ohio
S. J. Wolfe Division
Dayton, Ohio

BRANCHES

OHIO
Akron (11)
Canfield (7)
Canton (6)
Chillicothe (1)
Cincinnati (46)
Columbus (6)
Dayton (6)
Dublin (6)
Elyria (9)
Findlay (5)
Hudson (4)
Kenwood (10)
Kettering (5)
Lancaster (3)
Lima (2)
Pepper Pike (22)
Rocky River (19)
Sandusky (3)
Strongsville (5)
Toledo (4)
Willoughby Hills (11)

CALIFORNIA
Los Angeles (4)

FLORIDA
Naples (9)

GEORGIA
Atlanta (4)

ILLINOIS
Chicago (7)

INDIANA
Elkhart (6)
Fort Wayne (6)
Indianapolis (12)
Indianapolis North (8)

Crestview Hills (4)

MASSACHUSETTS
Boston (4)

MICHIGAN
Ann Arbor (7)
Battle Creek (2)
Birmingham (21)
East Lansing (6)
Grand Rapids (15)
Grosse Pointe Woods (7)
Holland (2)

NEW JERSEY
Jersey City (19)

TENNESSEE
Memphis (10)

</TABLE>

The Company's executive office and largest sales office is located in Cleveland, Ohio. The Company's order entry, trading, investment banking, research, operations and accounting activities are primarily centralized in the Cleveland office. The office, which occupies approximately 158,500 square feet of space, is operated under a lease expiring in 2009. The Gradison Division of McDonald Securities is located in Cincinnati, Ohio. The Gradison Division office, which occupies approximately 48,000 square feet of space, is operating under a lease expiring in 2008. Personnel at the Gradison Division are primarily involved in the mutual fund and investment advisory operations, retail sales, management, and also certain accounting and administrative functions. The S. J. Wolfe Division was opened in December, 1990 when the Company acquired certain assets and the business of S. J. Wolfe & Co., a stock brokerage firm. The S. J. Wolfe Division has an over-the-counter trading operation.

The Company believes that at the present time its administrative and sales office space is adequate and is suitably utilized.

ITEM 3. LEGAL PROCEEDINGS.

As is the case with many firms in the securities industry, McDonald Securities is a defendant or co-defendant in a number of lawsuits alleging damages, which are ordinary and routine litigation, incidental to the securities and investment banking business. The Company is contesting the allegations of the complaints in these cases and believes that there are meritorious defenses in each of these lawsuits. Some of the proceedings relate to public underwritings of securities in which McDonald Securities participated as a member of the underwriting syndicate. The Company is also aware of litigation against certain underwriters of offerings in which McDonald Securities was a participant, but where McDonald Securities is not now a defendant. In these latter cases, it is possible that McDonald Securities may be called upon to contribute to settlements or judgments.

McDonald Securities is a defendant in STEPHANIE TUBBS JONES ET. AL. V. MCDONALD & CO. SECURITIES, INC., ET. AL. (the "Jones Litigation"), a lawsuit currently pending in Cuyahoga County, Ohio, Court of Common Pleas. The action arose out of losses allegedly incurred by Cuyahoga County's Secured Assets Fund Earnings Program ("SAFE"). McDonald Securities and six other defendants have been named in the lawsuit. The complaint alleges that, in breach of various legal duties allegedly owed to the plaintiff, McDonald Securities and/or the other defendants enabled, facilitated and/or assisted the County's investment staff to engage in unsuitable and inappropriate investment and trading activities and practices. The plaintiff seeks to hold each of the defendants liable for compensatory and consequential damages. In addition, the complaint contains allegations of fraud and negligent misrepresentation against McDonald Securities and another defendant arising out of their respective roles as underwriters of two issuances of tax and current revenue anticipation notes ("TANS/CRANS") during 1993 and 1994. The plaintiff seeks to hold McDonald

Securities liable for compensatory, consequential and punitive damages as a result of its role as an underwriter of the TANS/CRANS offerings. In June 1996, the court denied motions to dismiss the plaintiff's claims filed by McDonald Securities and various other defendants. In February 1997, the court granted defendants' motion to disqualify the Cuyahoga County Prosecutor's Office from the case. That ruling is currently being appealed by the plaintiff. In April 1997, pursuant to a stipulation entered into between the plaintiff and McDonald Securities' co-defendant in the allegations related to the TANS/CRANS offerings, the plaintiff dismissed its TANS/CRANS claims against the co-defendant, without prejudice.

On December 23, 1996, McDonald Securities filed an answer denying the allegations of liability made by the plaintiff and raising a number of affirmative defenses to the plaintiff's allegations. McDonald Securities also filed counterclaims against the Cuyahoga County Board of Commissioners (the "Board"). McDonald Securities' counterclaims consist of a breach of contract claim arising out of representations and warranties made by the Board concerning the absence of material misstatements or omissions in the Official Statements for the TANS/CRANS offerings, and an estoppel claim arising out of McDonald Securities' justifiable reliance on assurance provided by the Board concerning, among other things, the investment experience of the Board's agents, the authorizations of the transactions in question by the Board's Investment Committee and the conformity of such transactions with the County's investment policies and procedures. The case is currently in the discovery stage and no trial date has been set. Based on the facts known to date, the Company believes that the plaintiff's claims against McDonald Securities are without merit, and intends to contest vigorously the allegations in the complaint.

On February 29, 1996, the Company filed an application (the "Application") with the Securities and Exchange Commission pursuant to Section 9(c) of the Investment Company Act of 1940 (the "Investment Company Act") for a Temporary Order and a Permanent Order exempting it from the provisions of Section 9(a)(1) of the Investment Company Act. That section prohibits, among other things, any person convicted of a misdemeanor arising out of such person's conduct as a broker-dealer from serving as an investment advisor to, or principal underwriter for, any registered investment company. The Application was prompted by the decision of the Franklin County Court of Common Pleas that the Company violated Section 101.41(C) of the Ohio Revised Code by failing to accurately report certain lawful expenditures (i.e., payments of honoraria to speakers at Company-sponsored meetings) during 1993. The Company has been granted temporary exemptions by the SEC, and its application for a Permanent Order exempting it from Section 9(a)(1) is currently pending. Based upon its discussions with the staff of the SEC and the treatment of similarly situated persons in prior proceedings, the Company has no reason to believe that its application for a permanent exemption will not be granted.

ITEM 3. LEGAL PROCEEDINGS - Continued

In view of the number and diversity of claims against the Company and the inherent difficulty of predicting the outcome of litigation and other claims, the Company cannot state with certainty what the eventual outcome of pending litigation or other claims will be. The Company provides for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future results of operations cannot be predicted because any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While it is not possible to predict with certainty, management believes that the ultimate resolution of such matters will not have a material adverse effect on the consolidated financial position, liquidity, or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT.

(Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K)

The following table sets forth the executive officers of the Company and certain other information with respect to each individual, including the years certain individuals were partners in the Partnership, the predecessor to the Company's business. Except for Mr. Weston, each of the executive officers listed below is a Director of McDonald Securities.

NAME	AGE	PRINCIPAL OCCUPATION

Thomas M. O'Donnell	61	Chairman of the Company since April 1, 1989; Director of the Company since June 7, 1983; Chairman of McDonald Securities from April 1, 1989 to August 1, 1995; Chief Executive Officer of the Company from April 1, 1989 to January 1, 1994; President of the Company and McDonald Securities from July 23, 1984 to April 1, 1989; Secretary of the Company from June 7, 1983 to July 23, 1984; Managing Director (Corporate Finance and Special Products) and Secretary of McDonald Securities from June 7, 1983 to July 23, 1984; Partner from 1968 to 1990 and Managing Partner from 1989 to 1990.
William B. Summers, Jr.	47	Director of the Company since June 7, 1983; Chief Executive Officer of the Company and McDonald Securities since January 1, 1994; President of the Company since April 1, 1989; Chairman of McDonald Securities since August 2, 1995; President of McDonald Securities from April 1, 1989 to August 1, 1995; Executive Vice President of the Company and McDonald Securities from November 1, 1988 to April 1, 1989; Managing Director (Fixed Income Institutional Sales) of McDonald Securities from June 7, 1983 to November 1, 1988; Partner from 1975 to 1990.
Robert T. Clutterbuck	46	Director of the Company since August 7, 1996; President and Chief Operating Officer of McDonald Securities since August 2, 1995; Treasurer of the Company since January 1, 1994; Chief Financial Officer of McDonald Securities from January 1, 1994 to June 14, 1996; Executive Managing Director of McDonald Securities from January 1, 1994 to August 1, 1995; Senior Managing Director (Municipal Bond Trading and Underwriting) of McDonald Securities from June 1, 1992 to December 31, 1993; Managing Director from May 1, 1987 to May 31, 1992; Senior Vice President from May 1, 1984 to April 30, 1987; First Vice President from June 7, 1983 to April 30, 1984; Partner from 1978 to 1990.
Daniel F. Austin	45	Vice Chairman of McDonald Securities since August 2, 1995; Senior Managing Director (Corporate and Public Finance) of McDonald Securities from June 1, 1992 to August 1, 1995; Managing Director from January 4, 1991 to May 31, 1992; Senior Vice President from May 1, 1986 to January 3, 1991; First Vice President from May 1, 1985 to April 30, 1986.
Jack N. Aydin	56	Managing Director (Resident Manager - Jersey City, New Jersey) of McDonald Securities since May 1, 1988; Senior Vice President from May 1, 1986 to April 30, 1988; First Vice President from June 7, 1983 to April 30, 1986; Partner from 1977 to 1990.

EXECUTIVE OFFICERS OF THE REGISTRANT (cont.)

NAME	AGE	PRINCIPAL OCCUPATION
Eugene H. Bosart III	54	Senior Managing Director (Regional Sales Manager - Michigan) of McDonald Securities since June 15, 1996; Managing Director from May 1, 1987 to June 14, 1996; Senior Vice President from June 7, 1983 to April 30, 1987; Partner from 1972 to 1990.
Thomas G. Clevidence	47	Senior Managing Director (Human Resources and Community Affairs) of McDonald

		Securities since June 15, 1996; Managing Director (Human Resources and Community Affairs) from January 2, 1996 to June 14, 1996; Managing Director (Human Resources) from July 1, 1992 to June 14, 1996; Vice President - Corporate Employment, Society Corporation/Ameritrust Corporation, from October 1989 to June 30, 1992; Senior Manager, Ernst & Young, from 1982 to October 1989.
Ralph Della Ratta	43	Senior Managing Director (Corporate Finance) of McDonald Securities since June 1, 1996; Managing Director from June 1, 1992 to May 31, 1996; Senior Vice President from June 1, 1991 to May 31, 1992; First Vice President from June 1, 1990 to May 31, 1991; Vice President from October 12, 1987 to May 31, 1990.
Dennis J. Donnelly	47	Senior Managing Director (Operations) of McDonald Securities since June 1, 1992; Managing Director from May 1, 1987 to May 31, 1992; Senior Vice President from May 1, 1984 to April 30, 1987; First Vice President from June 7, 1983 to April 30, 1984; Partner from 1980 to 1990.
David W. Ellis, III	41	Managing Director (Gradison-McDonald Asset Management) Gradison Division of McDonald Securities, since June 15, 1996; Senior Vice President, Gradison Division of McDonald Securities, from October 4, 1991 to June 14, 1996; Director of Gradison & Company Incorporated from January 1, 1987 to October 3, 1991; Senior Vice President, Gradison & Company Incorporated from September 1, 1988 to October 3, 1991; Vice President from September 1, 1980 to August 31, 1988.
Patricia J. Jamieson	42	Senior Managing Director (Chief Financial Officer) of McDonald Securities since June 1, 1997; Managing Director and Chief Financial Officer from June 15, 1996 to May 31, 1997; Chief Accounting Officer of McDonald Securities from August 2, 1995 to June 14, 1996; Senior Vice President since June 1, 1991; First Vice President from May 1, 1985 to May 31, 1991; Vice President from August 15, 1984 to April 30, 1985; Associate Vice President from October 3, 1983 to August 14, 1984.
David W. Knall	52	Senior Managing Director (Resident Manager - Indianapolis, Indiana) of McDonald Securities since June 15, 1996; Managing Director from June 7, 1983 to June 14, 1996; Partner from 1973 to 1990.

EXECUTIVE OFFICERS OF THE REGISTRANT (cont.)

NAME	AGE	PRINCIPAL OCCUPATION
Thomas M. McDonald	50	Senior Managing Director (Private Client Group) of McDonald Securities since June 1, 1997; Managing Director from June 1, 1993 to May 31, 1997; Senior Vice President from September 27, 1991 to May 31, 1993; Senior Vice President of Prescott Ball & Turben, a division of Kemper Securities Group, Inc. from February 1988 to September 26, 1991.
Lawrence T. Oakar	62	Managing Director (Private Client Group) of McDonald Securities since June 15, 1996; Senior Vice President from May 1, 1986 to June 14, 1996; First Vice President from July 20, 1983 to April 30, 1986; Partner from 1979 to 1990.

John F. O'Brien	60	Senior Managing Director (Private Client Group) of McDonald Securities since June 1, 1992; Managing Director from June 17, 1983 to May 31, 1992; Partner from 1971 to 1990.
James C. Redinger	60	Senior Managing Director (Equity Institutional Sales and Trading) of McDonald Securities since June 1, 1992; Managing Director from May 1, 1987 to May 31, 1992; Senior Vice President from May 1, 1984 to April 30, 1987; First Vice President from June 7, 1983 to April 30, 1984; Partner from 1980 to 1990.
David D. Sutcliffe	36	Managing Director (Fixed Income Sales) of McDonald Securities since June 15, 1996; Senior Vice President from May 1, 1989 to June 14, 1996; First Vice President from May 1, 1987 to April 30, 1989; Vice President from 1984 to April 30, 1987.
Bradley E. Turner	38	Senior Managing Director (Gradison-McDonald Asset Management) of McDonald Securities since June 15, 1996; Managing Director (Gradison-McDonald Asset Management) of McDonald Securities from June 1, 1995 to June 14, 1996; Senior Vice President (Portfolio Strategies Group) from June 1, 1992 to May 31, 1995; First Vice President (Portfolio Strategies Group) from June 1, 1990 to May 31, 1992; Vice President from May 1, 1988 to May 31, 1990; Associate Vice President from May 1, 1986 to April 30, 1988.
Donald E. Weston	61	Director of the Company since October 4, 1991; Chairman and Chief Executive Officer of the Gradison Division of McDonald Securities since October 4, 1991; Chairman of the Board and Chief Executive Officer of Gradison & Company Incorporated from January, 1982 to October 4, 1991; Trustee and Chairman of the Board of the Gradison-McDonald Cash Reserves Trust since August, 1982; of the Gradison Growth Trust since August, 1983; of the Gradison Custodian Trust since September, 1987 and of the Gradison-McDonald Municipal Custodian Trust since September, 1992.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The information required by this item is included herein at Exhibit 99(a) to this Form 10-K Annual Report set forth under the caption "Supplementary Financial Data - Quarterly Data (Unaudited)".

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is included herein at Exhibit 99(b) to this Form 10-K Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is included herein at Exhibit 99(c) to this Form 10-K Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is included herein at Exhibit 99(d) to this Form 10-K Annual Report.

ITEM 9. DISAGREEMENTS WITH ACCOUNTANTS ON FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information regarding Directors appearing under the caption of "Election of Directors" in the registrant's definitive Proxy Statement to be used in connection with Annual Meeting of Stockholders to be held on July 30, 1997 (the "1997 Proxy Statement") is incorporated herein by reference. Information regarding executive officers of the Registrant is set forth in Part I of this Form 10-K Annual Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated herein by reference to "Executive Compensation" in the 1997 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference to "Stock Ownership of Principal Holders and Management" in the 1997 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated herein by reference to "Certain Transactions" in the 1997 Proxy Statement.

PART IV

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

(a) DOCUMENT LIST

1. Financial Statements

The following financial statements and other information are filed as part of this Form 10-K Annual Report herein at Exhibit 99(d).

McDonald & Company Investments, Inc. and Subsidiaries:

(i) Consolidated Statements of Income--fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995

(ii) Consolidated Statements of Financial Condition--March 28, 1997 and March 29, 1996

(iii) Consolidated Statements of Changes in Stockholders' Equity--fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995

(iv) Consolidated Statements of Cash Flows--fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995

(v) Notes to Consolidated Financial Statements--March 28, 1997

(vi) Report of Independent Auditors

2. Supplementary Data and Financial Statement Schedules

(i) Supplementary data entitled "Supplementary Financial Data-Quarterly Data (Unaudited)" is filed as part of this Form 10-K Annual Report herein at Exhibit 99(a).

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

ITEM 14(a) DOCUMENT LIST -- Continued

3. Exhibits Required by Securities and Exchange Commission Regulation S-K

(a) The following exhibits are filed as part of this Report:
<TABLE>
<CAPTION>

(b) The following exhibits are incorporated herein by reference:

2(a): Agreement and Plan of Reorganization dated as of July 24, 1991 by and among the Registrant, McDonald & Company Securities, Inc. and Gradison & Company Incorporated (incorporated by reference to Exhibit 2.1 to the Company's Amendment No. 1 to Form S-4 Registration Statement (Reg. No. 33-42566), which became effective on September 13, 1991)

2(b): Form of First Amendment to the Agreement and Plan of Reorganization by and among the Registrant, McDonald & Company Securities, Inc. and Gradison & Company Incorporated (incorporated by reference to Exhibit 2.2 to the Company's Amendment No. 1 to Form S-4 Registration Statement (Reg. No. 33-42566), which became effective on September 13, 1991)

2(c): Form of Agreement of Merger by and among the Registrant, McDonald & Company Securities, Inc. and Gradison & Company Incorporated (incorporated by reference to Exhibit 2.3 to the Company's Amendment No. 1 to Form S-4 Registration Statement (Reg. No. 33-42566), which became effective on September 13, 1991)

3(a): Certificate of Incorporation of the Company (incorporated by reference to Exhibit 4(a) to the Company's Form S-8 Registration Statement (Reg. No. 33-11335), which became effective on February 2, 1987)

3(b): By-Laws of the Company (incorporated by reference to Exhibit 4(b) to the Company's Form S-8 Registration Statement (Reg. No. 33-11335), which became effective on February 2, 1987)

3(c): Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3(c) to the Company's Form 10-K for the fiscal year ended March 26, 1993)

4(a): Specimen Stock Certificate (incorporated by reference to Exhibit 4 to the Company's Form S-1 Registration Statement (Reg. No. 2-84300), which became effective on July 20, 1983)
</TABLE>

ITEM 14(a) DOCUMENT LIST -- Continued

10(a): Stock Option Plan (incorporated by reference to Exhibit 4(b) to the Company's Form S-8 Registration Statement (Reg. No. 33-11335), which became effective on February 2, 1987)*

10(b): 1990 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 4.4 to the Company's Form S-8 Registration Statement (Reg. No. 33-37603), which became effective on November 5, 1990)*

10(c): Documents reflecting lines of credit with First National Bank of Chicago ($25,000,000), and the Bank of Tokyo ($45,000,000) (incorporated by reference to Exhibit 10(p) to the Company's Form 10-K for the fiscal year ended March 27, 1992)

10(d): Documents reflecting line of credit with The Northern Trust Company ($10,000,000) (incorporated by reference to Exhibit 10(p) to the Company's Form 10-K for the fiscal year ended March 29, 1991)

10(e): Documents reflecting lines of credit with Bankers Trust Company ($50,000,000), and Huntington National Bank ($25,000,000) (incorporated by reference to Exhibit 10(p) to the Company's Form 10-K for the fiscal year ended March 26, 1993)

10(f): Documents reflecting lines of credit with National City Bank ($25,000,000) and Star Bank ($20,000,000) (incorporated by reference to Exhibit 10(m) to the Company's Form 10-Q for the fiscal quarter ended September 24, 1993)

10(g): 1993 Restricted Stock Bonus Plan (incorporated herein by reference to the Company's Definitive Proxy Statement for its Annual Meeting held on July 27, 1993)*

10(h): Form of Note Purchase Agreement between McDonald & Company Securities, Inc. and the Purchasers listed therein, dated as of January 15, 1993, relating to $25,000,000 principal amount of 8.24% Subordinated Notes (incorporated by reference to Exhibit 10 of the Company's Form 8-K filed with the Securities and Exchange Commission on February 5, 1993)

10(i): McDonald & Company Securities, Inc. Retirement Savings Trust and Plan (incorporated by reference to Exhibit 10(n) to the Company's Form 10-Q for the fiscal quarter ended September 24, 1993)*

10(j): Documents reflecting lines of credit with Bank of New York ($90,000,000) (incorporated by reference to Exhibit 10(m) to the Company's Form 10-K for the fiscal year ended March 25, 1994)

10(k): Lease Agreement dated July 21, 1994 for the Company's executive offices, which became effective April 1, 1994 (incorporated by reference to Exhibit 10(k) to the Company's Form 10-K for the fiscal year ended March 31, 1995)

10(l): 1995 Stock Bonus Plan (incorporated by reference to the Company's Definitive Proxy Statement for its Annual Meeting held on August 2, 1995)*

10(m): 1995 Key Employees Stock Option Plan (incorporated by reference to the Company's Definitive Proxy Statement for its Annual Meeting held on August 2, 1995)*

10(n): 1995 Stock Option Plan for Non-Officer Directors (incorporated by reference to the Company's Definitive Proxy Statement for its Annual Meeting held on August 7, 1996)*

* Management contract or compensatory plan or arrangement identified pursuant to Item 14(c) of this Form 10-K.

ITEM 14(a) DOCUMENT LIST--Continued

10(o): Lease Agreement dated May 21, 1996 for the Company's Gradison Division, which became effective July 1, 1996 (incorporated by reference to Exhibit 10(p) to the Company's Form 10-Q for the fiscal quarter ended September 27, 1996)

10(p): Documents reflecting line of credit with Star Bank ($20,000,000) (incorporated by reference to Exhibit 10(q) to the Company's Form 10-Q for the fiscal quarter ended December 31, 1996)

10(q): First Amendment to the Stock Bonus Plan, which became effective March 30, 1996 (incorporated by reference to the Company's Definitive Proxy Statement for its Annual Meeting to be held on July 30, 1997)*

ITEM 14(b) REPORTS ON FORM 8-K.

The Company did not file a current Report on Form 8-K during the fiscal quarter ended March 28, 1997.

OTHER

On February 9, 1995, the Company announced the continuation of an open market repurchase program originally instituted in July 1987. The current program allows the Company to purchase up to 1,000,000 shares of its Common Stock at an aggregate price not to exceed $25,000,000. Treasury shares may be used to satisfy options exercised under the Company's stock option plans and shares awarded under the Company's 1995 Stock Bonus Plan.

During the fiscal year ended March 28, 1997 the Company purchased 176,803 shares of the Company's Common Stock at an average price of $18.716 per share. During the fiscal year ended March 28, 1997, the Company utilized 83,362 shares of the Company's Common Stock held in treasury to satisfy options exercised under the Company's stock option plans.

* Management contract or compensatory plan on arrangement identified pursuant to Item 14(c) of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized at Cleveland, Ohio on this 20th day of June, 1997.

McDONALD AND COMPANY INVESTMENTS, INC.

By: /s/ William B. Summers, Jr.

William B. Summers, Jr., President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on .

<TABLE>
<CAPTION>

Signature	Title:
<S>	<C>
/s/ William B. Summers, Jr.	President and Director (Principal Executive Officer)

William B. Summers, Jr.

/s/ Robert T. Clutterbuck Robert T. Clutterbuck	Treasurer and Director (Principal Financial and Accounting Officer)
/s/ Thomas M. O'Donnell Thomas M. O'Donnell	Chairman and Director
/s/ Rena J. Blumberg Rena J. Blumberg	Director
/s/ Jeanette Grasselli Brown Jeanette Grasselli Brown	Director
/s/ Edward Fruchtenbaum Edward Fruchtenbaum	Director
/s/ James A. Karman James A. Karman	Director
/s/ David N. McCammon David N. McCammon	Director
/s/ Frederick R. Nance Frederick R. Nance	Director
/s/ Donald E. Weston Donald E. Weston	Director

</TABLE>

McDonald & Company Investments, Inc.

Report on FORM 10-K for the Fiscal Year ended March 28, 1997

EXHIBIT INDEX

<TABLE>
<CAPTION>

</TABLE>

Exhibit 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<TABLE>
<CAPTION>

	Fiscal year ended		
	March 28, 1997	March 29, 1996	March 31, 1995
PRIMARY			
<S>	<C>	<C>	<C>
Average shares outstanding	8,955,000	8,930,000	9,150,000
Net effect of dilutive stock options - based on the treasury stock method using average market price	158,000	142,000	153,000
TOTAL	9,113,000	9,072,000	9,303,000
Net income	$24,656,000	$19,766,000	$13,684,000
Net income per share	$ 2.71	$ 2.18	$ 1.47
FULLY DILUTED			
Average shares outstanding	8,955,000	8,930,000	9,150,000
Net effect of dilutive stock options - based on the treasury stock method using greater of year-end or average market price	158,000	155,000	153,000
TOTAL	9,113,000	9,085,000	9,303,000
Net income	$24,656,000	$19,766,000	$13,684,000
Net income per share	$ 2.71	$ 2.18	$ 1.47

</TABLE>

SUBSIDIARIES OF THE REGISTRANT

Exhibit 21

The following is a list of the subsidiaries of the Company:

1. McDonald & Company Securities, Inc.

McDonald & Company Securities, Inc., an Ohio corporation, is a wholly owned subsidiary of the Company.

2. McD Real Estate, Inc.

McD Real Estate, Inc., an Ohio corporation, is a wholly owned subsidiary of the Company.

3. McD-Gradison Agency, Inc.

The Company owns all of the issued and outstanding shares of preferred stock of McD-Gradison Agency, Inc., an Ohio corporation. All of the issued and outstanding shares of Common Stock are held by three officers of the Company.

4. McDonald Financial Services, Inc.

McDonald Financial Services, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

5. McDonald & Company Venture Capital, Inc.

McDonald & Company Venture Capital, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

6. McDonald & Company Venture Capital, Inc. II

McDonald & Company Venture Capital, Inc. II, an Ohio corporation, is a wholly-owned subsidiary of the Company.

7. Gradvantage, Inc.

Gradvantage, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

8. Gradison Insurance Agency, Inc.

Gradison Insurance Agency, Inc., an Ohio corporation, is a wholly owned subsidiary of the Company.

9. McD Property Advisors, Inc.

McD Property Advisors, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

10. Bond Lease Corporation V

Bond Lease Corporation V, an Ohio corporation, is a wholly-owned subsidiary of the Company.

SUBSIDIARIES OF THE REGISTRANT (cont.)
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11. Bond Lease Corporation VI

Bond Lease Corporation VI, an Ohio corporation, is a wholly-owned subsidiary of the Company.

12. Bond Lease Corporation VII

Bond Lease Corporation VII, an Ohio corporation, is a wholly-owned subsidiary of the Company.

13. Gradison & Company, Inc.

Gradison & Company, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

14. Secured Lease Finance Corp.

Secured Lease Finance Corp., an Ohio corporation, is a wholly-owned subsidiary of the Company.

15. Secured Lease Finance Corp. II

Secured Lease Finance Corp. II, an Ohio corporation, is a wholly-owned subsidiary of the Company.

16. McDonald Mortgage Pass-Through Corp.

McDonald Mortgage Pass-Through Corp., an Ohio corporation, is a wholly-owned subsidiary of the Company.

17. The McDonald Trust Company

The McDonald Trust Company, an Indiana corporation, is a wholly-owned subsidiary of the Company.

18. McD Freedom Advisors, Inc.

McD Freedom Advisors, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

19. McD Methane, Inc.

McD Methane, Inc., a Delaware corporation, is a wholly-owned subsidiary of the Company.

20. McD Property Advisors 1996, Inc.

McD Property Advisors 1996, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

21. McD Developers, Inc.

McD Developers, Inc., an Ohio corporation, is a wholly-owned subsidiary of the Company.

22. McD Property Advisors, Inc. - 1997

McD Property Advisors, Inc. - 1997, an Ohio corporation, is a wholly-owned subsidiary of the Company.

Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 Number 33-11335) pertaining to the McDonald & Company Investments, Inc. Stock Option Plan, Registration Statement (Form S-8 Number 33-37603) pertaining to the McDonald & Company Investments, Inc. 1990 Stock Option Plan for Outside Directors, Registration Statement (Form S-8 Number 33-54521) pertaining to the McDonald & Company Investments, Inc. 1993 Stock Bonus Plan, Registration Statement (Form S-8 Number 33-65491) pertaining to the McDonald & Company Investments, Inc. 1995 Stock Bonus Plan, and Registration Statement (Form S-8 Number 33-65489) pertaining to the McDonald & Company Investments, Inc. 1995 Key Employees Stock Option Plan, of our report dated May 6, 1997, with respect to the consolidated financial statements of McDonald & Company Investments, Inc. included in this Annual Report (Form 10-K) for the fiscal year ended March 28, 1997.

/s/ Ernst & Young LLP

Cleveland, Ohio
June 18, 1997

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THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED STATEMENT OF FINANCIAL CONDITION, MAR-28-1997 AND IS QUALIIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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EXHIBIT 99(a)

SUPPLEMENTARY FINANCIAL DATA

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QUARTERLY DATA (UNAUDITED)

(In thousands, except per share amounts)	Revenues	Income Before Income Taxes	Net Income	Net Income Per Share	Common Stock* Dividends Paid Per Share	Common Stock* Price Range High	Common Stock* Price Range Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fiscal 1997							
First quarter (13 weeks)	$ 67,332	$ 10,058	$ 6,458	$ .71	$ .08500	$ 20.750	$ 18.875
Second quarter (13 weeks)	59,617	8,273	5,273	.58	.09375	25.125	17.750
Third quarter (13 weeks)	62,963	8,261	5,281	.58	.09375	34.875	23.875
Fourth quarter (13 weeks)	71,585	11,664	7,644	.84	.09375	40.875	33.000
Total Year	$ 261,497	$ 38,256	$ 24,656	$ 2.71	$ .36625		
Fiscal 1996							
First quarter (13 weeks)	$ 49,988	$ 5,964	$ 3,764	$ .41	$ .080	$ 16.50	$ 14.38
Second quarter (14 weeks)	55,474	8,116	5,116	.56	.085	17.75	15.75
Third quarter (13 weeks)	53,421	7,236	4,896	.55	.085	18.38	16.75
Fourth quarter (13 weeks)	61,738	9,450	5,990	.66	.085	20.00	17.75
Total Year	$ 220,621	$ 30,766	$ 19,766	$ 2.18	$ .335		

<FN>
* The Common Stock of McDonald & Company Investments, Inc., is listed on the New York Stock Exchange. The trading symbol is MDD. At April 25, 1997, the approximate number of stockholders of record was 1,020.
</TABLE>

EXHIBIT 99(b)

MCDONALD & COMPANY INVESTMENTS, INC.

SELECTED FINANCIAL DATA

<TABLE>
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	Fiscal Year Ended				
(In thousands, except per share amounts)	March 28, 1997	March 29, 1996	March 31, 1995	March 25, 1994*	March 26, 1993*
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Operations					
Revenues	$ 261,497	$ 220,621	$ 177,726	$ 204,680	$ 173,817
Income before income taxes	38,256	30,766	20,704	34,688	24,700
Net income	24,656	19,766	13,684	21,588	16,050
Net income per share	2.71	2.18	1.47	2.38	1.92
Cash dividends paid per share	.36625	.335	.315	.288	.312

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Financial position as of:	March 28, 1997	March 29, 1996	March 31, 1995	March 25, 1994	March 26, 1993
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$ 501,968	$ 471,101	$ 401,332	$ 590,578	$ 528,942
Long-term borrowings	25,000	25,000	25,000	25,000	38,055
Stockholders' equity	154,122	130,823	114,362	107,405	77,927

<FN>
* All net income per share and cash dividends paid per share information has been adjusted for a 20% stock dividend paid during the fiscal year ended March 25, 1994.
</TABLE>

EXHIBIT 99(c)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Environment

McDonald & Company Investments, Inc. (the "Company"), operates a full-service, regional investment banking, brokerage and investment advisory business through its principal subsidiary, McDonald & Company Securities, Inc. ("McDonald Securities"). The Company is involved in the origination, underwriting, distribution, trading and brokerage of fixed income and equity securities, and provides investment advisory services.

The profitability of the Company is sensitive to many factors, including the level of securities trading volume and the volatility and general level of market prices. Many of its activities have high operating costs which do not decrease with reduced levels of activity. Sustained periods of reduced volume, or loss of clients, could have adverse effects upon profitability.

The Company faces increasing competition from commercial banks and thrift institutions as these institutions offer certain investment banking and corporate and individual financial services traditionally provided only by securities firms. In that regard, the Federal Reserve Board recently increased the percentage of a bank holding company's revenue that may be derived from the securities activities of non-bank affiliates, including underwriting, and eliminated or refined a number of "firewall" provisions that historically separated banks from their securities subsidiaries. In addition, legislation designed to further ease the restrictions on banks' ability to underwrite securities and to reduce barriers to competition between banks and securities firms is under consideration by the United States Congress. The Company also anticipates regulation of the securities industry to increase and that compliance with regulations may become more difficult. At present, the Company is unable to predict the extent of changes that may be enacted, or their potential effect on the Company's business.

The Company has formulated a comprehensive strategic plan which is periodically reviewed and revised. The plan emphasizes the Company's historical roots as a regional brokerage and investment banking firm. The Company has focused on the Ohio, Michigan and Indiana markets by increasing the number of sales representatives covering individual investors, as well as increasing investment banking activities in this region. The Company's institutional equity and institutional fixed income divisions cover accounts throughout the United States and internationally.

Liquidity and Capital Resources

The majority of the Company's assets are highly liquid and short-term in nature. Cash and liquid assets, principally receivables from customers, receivables from brokers and dealers, securities purchased under agreements to resell and securities owned, represented approximately 88% of the Company's assets at March 28, 1997. These assets are financed by a number of sources, including payables to customers and brokers, short-term borrowings and securities sold under agreements to repurchase, long-term borrowings and equity capital.

McDonald Securities is a dealer in corporate, mortgage-backed and governmental fixed income securities and equity securities which are carried as securities owned primarily for distribution to individual and institutional customers.

Periodically, McDonald Securities buys, sells and positions mortgage-derivative securities and structured notes. Holdings of high-yield securities are not material. McDonald Securities may enter into short positions in United States government bonds in order to manage the interest rate risk related to fixed income trading positions. McDonald Securities maintains comprehensive risk management policies, including position limits and credit requirements.

At March 28, 1997, McDonald Securities has outstanding $25,000,000 in aggregate principal amount of 8.24% Subordinated Notes due January 15, 2002. McDonald Securities is required to pay principal amounts of $5,000,000 on January 15 of each year beginning in 1998. The notes are subordinated in right of payment to all senior indebtedness and general creditors of McDonald Securities. In addition to providing additional long-term financing, the notes have been approved by the New York Stock Exchange, Inc. for inclusion in McDonald Securities' regulatory capital.

Changes in the levels of securities owned and in customer and broker receivables directly affect the Company's financing arrangements. The Company has available lines of credit of $310,000,000, of which $279,749,000 was unused as of March 28, 1997. Management believes that funds from operations, available lines of credit and long-term borrowings provide sufficient resources to meet present and anticipated financial needs.

Certain minimum amounts of capital must be maintained by McDonald Securities to satisfy the regulatory requirements of the Securities and Exchange Commission and the New York Stock Exchange, Inc. The regulatory requirements represent Uniform Net Capital Rules designed to measure the general financial integrity and liquidity of registered broker/dealers and to provide minimum acceptable net capital levels to meet the continuing commitments to customers. Net capital, as defined, changes from day to day. At March 28, 1997, McDonald Securities was in compliance with the Uniform Net Capital Rules and had net capital of $78,724,000, which was $74,686,000 in excess of the minimum required.

RESULTS OF OPERATIONS

The following table summarizes the changes in the major categories of revenues and expenses for the fiscal years ended March 28, 1997, March 29, 1996, and March 31, 1995.

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(Dollars in thousands)	Fiscal 1997 Versus Fiscal 1996		Fiscal 1996 Versus Fiscal 1995	
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Revenues				
Underwriting and investment banking	$ 17,952	32%	$ 13,708	33%
Principal transactions	1,284	2	8,218	18
Commissions	13,409	20	16,444	33
Investment management fees	5,294	27	3,881	24
Interest and dividends	3,236	19	(2,027)	(11)
Other	(299)	(4)	2,671	57
	$ 40,876	19%	$ 42,895	24%
Expenses				
Employee compensation and benefits	$ 25,649	20%	$ 24,502	24%
Interest	1,991	26	1,268	20
Communications	1,112	8	1,088	9
Occupancy and equipment	2,470	16	2,126	16
Promotion and development	912	11	788	11
Floor brokerage and clearance	87	3	(18)	(1)
Taxes, other than income taxes	804	12	526	9
Other operating expenses	361	4	2,553	39
	$ 33,386	18%	$ 32,833	21%

</TABLE>

FISCAL 1997 COMPARED WITH FISCAL 1996

Total revenues for the fiscal year ended March 28, 1997 were $261,497,000, an increase of $40,876,000, or 19%, from revenues of $220,621,000 for the fiscal year ended March 29, 1996.

Net income for the fiscal year ended March 28, 1997 was $24,656,000, or $2.71 per share, compared with $19,766,000, or $2.18 per share, for the fiscal year ended March 29, 1996, an increase in net income of 25%.

The average number of shares and share equivalents outstanding was 9,113,000 for the fiscal year ended March 28, 1997, compared with 9,072,000 for the fiscal year ended March 29, 1996.

Revenues from underwriting and investment banking increased $17,952,000, or 32%, for the fiscal year ended March 28, 1997, compared with the fiscal year ended March 29, 1996. Revenues from corporate underwriting and investment banking increased $19,861,000, or 40%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. This resulted from increases in revenues from managed and co-managed originations of $5,768,000, or 35%, increases in revenues from participation in syndicate groups of $110,000, or 1%, and an increase in revenues from private placements of debt and equity securities and limited partnerships of $10,009,000, or 83%, in the current fiscal year. These increases are attributable to favorable market conditions for both public offerings and private placements of debt and equity securities. Included in private placement revenues for the fiscal year ended March 28, 1997 were fees of $9,336,000 from a single $500 million private placement of debt and equity securities. Additionally, revenues from mergers and acquisitions and other financial advisory fees increased $3,974,000, or 34%, due to favorable market conditions for this type of activity. Revenues from public finance decreased $1,909,000, or 33%, for the fiscal year ended March 28, 1997, due to a lower level of public finance offerings in which McDonald Securities participated.

Revenues from underwriting and investment banking activities are highly dependent on general market conditions for such business activities. Market conditions for underwriting and investment banking services can be affected by economic and legislative events, both in the United States and abroad. To the extent that future events are unpredictable, uncertainty will be a factor in the level of McDonald Securities' business activity. Also, competitive pressure from other entities providing investment banking services can and will have an effect on the success of the Company in obtaining such business and on the prices which can be charged for investment banking and underwriting services. Management believes that the Company can compete effectively in this segment of its business activities.

Revenues from principal transactions increased $1,284,000, or 2%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. Revenues from principal transactions in equity securities increased $1,018,000, or 5%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. This increase is primarily due to a strong NASDAQ market and the continued expansion of the Company's retail sales force and its institutional equity capabilities. Revenues from trading taxable fixed income securities, including corporate bonds, United States government bonds and mortgage-backed securities, decreased $861,000, or 4%. This decrease in revenues from principal transactions in taxable fixed income securities was due primarily to a decrease in revenues from trading mortgage-backed securities of $910,000, or 15%, due to lower market demand for this type of fixed income product. Revenues from trading municipal bonds increased $1,127,000, or 13%, for the current fiscal year, primarily due to increased focus on secondary trading in light of the decreased supply of public finance business.

Commissions revenue increased $13,409,000, or 20%, for the fiscal year ended March 28, 1997, compared with the fiscal year ended March 29, 1996. The increase in commissions revenue reflects higher volume resulting from both strong equity markets and the continued expansion of the Company's retail sales force and institutional equity capabilities. The increase in commissions revenue was comprised primarily of increases in revenues from listed and over-the-counter agency commissions of $5,941,000, or 14%, and an increase in revenues from mutual fund sales of $5,622,000, or 29%, for the current fiscal year.

Revenues from investment management fees include advisory fees from the Company's mutual funds and money market funds and investment management fees earned related to individual managed accounts. Revenues from investment management fees increased $5,294,000, or 27%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. Revenues from investment management fees related to individual managed accounts increased $4,384,000, or 42%, and advisory fees from the Company's mutual funds and money market funds increased $910,000, or 10%. These increases were a result of an increase in assets under management.

Interest and dividend income increased $3,236,000, or 19%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. Interest earned on customer margin accounts increased $2,142,000, or 23%, due to a higher level of customer margin loans. Income from securities borrowed increased $909,000, or 140%, due to higher average positions, primarily as a result of securities borrowed related to short positions in customer accounts.

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FISCAL 1997 COMPARED WITH FISCAL 1996

Other income decreased $299,000, or 4%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year. This decrease resulted from a $545,000 decline in gains related to venture capital investments, offset in part by a $246,000 increase in transfer agent, service and other fee income related to the continued expansion of the retail business.

Operating expenses (total expenses before interest) increased $31,395,000, or 17%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year.

Employee compensation and benefits increased $25,649,000, or 20%, for the current fiscal year. Commission and other sales compensation expense increased $10,946,000, or 17%, for the current fiscal year, primarily as a result of the increase in revenues. Other clerical and administrative expenses increased $5,853,000, or 16%, for the current fiscal year. The increase in other clerical and administrative expenses represents compensation and employee benefit costs related to an increase in the professional and support staff during the 1997 fiscal year. The remaining $8,850,000 increase in employee compensation represents increases in incentive compensation and profit sharing accruals, which are directly related to the increase in profitability. Incentive compensation expense was also impacted by the increase in investment banking private placements and advisory fee revenues, with corresponding higher incentive compensation in the investment banking area.

All other operating expenses increased $5,746,000, or 10%, for the fiscal year ended March 28, 1997, compared with the fiscal year ended March 29, 1996. The increase in all other operating costs reflects the communications, occupancy and equipment and other operating costs related to the expansion of the Company's business. For the fiscal year ended March 28, 1997, communications expenses increased $1,112,000, or 8%. Of this increase, approximately $589,000 represents expenses related to the renovation of the Company's headquarters office and the recent Companywide technology renovation. The remaining increase in communications expenses reflects higher telecommunications, quotation and information services costs, due to both higher volume and higher employee headcount. Occupancy and equipment costs increased $2,470,000, or 16%. Of this increase, approximately $1,448,000 represents expenses related to the renovation of the Company's headquarters office and the technology renovation. Without regard to these items, occupancy and equipment costs increased 7%, reflecting increased costs related to headcount increases. Promotion and business development expense increased $912,000, or 11%, compared with the prior fiscal year, primarily due to increased promotional, travel and business entertainment expenses resulting from the continued expansion of the Company's business. Taxes other than income taxes increased $804,000, or 12%, reflecting primarily increased payroll taxes, due to increases in compensation expenses. The category of other operating expenses increased $361,000, or 4%, for the fiscal year ended March 28, 1997, compared with the prior fiscal year.

Interest expense increased $1,991,000, or 26%, for the fiscal year ended March 28, 1997, compared with the fiscal year ended March 29, 1996, due to a higher level of average short-term borrowings which increased primarily as a result of higher customer margin borrowings and a higher level of securities owned.

Income before income taxes for the fiscal year ended March 28, 1997 was $38,256,000, resulting in a pre-tax return on revenues of 14.6%. For the fiscal year ended March 29, 1996, income before income taxes was $30,766,000, resulting in a pre-tax return on revenues of 13.9%.

FISCAL 1996 COMPARED WITH FISCAL 1995

Total revenues for the fiscal year ended March 29, 1996 were $220,621,000, an increase of $42,895,000, or 24%, from revenues of $177,726,000 for the fiscal year ended March 31, 1995.

Net income for the fiscal year ended March 29, 1996 was $19,766,000, or $2.18 per share, compared with $13,684,000, or $1.47 per share, for the fiscal year ended March 31, 1995, an increase in net income of 44%.

The average number of shares and share equivalents outstanding was 9,072,000 for the fiscal year ended March 29, 1996, compared with 9,303,000 for the fiscal year ended March 31, 1995.

Revenues from underwriting and investment banking increased $13,708,000, or 33%, for the fiscal year ended March 29, 1996, compared with the fiscal year ended March 31, 1995. Revenues from corporate underwriting and investment banking increased $15,788,000, or 46%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. This resulted from increases in revenues from managed and co-managed originations of $6,005,000, or 57%, increases in revenues from participation in syndicate groups of $2,289,000, or 31%, and an increase in revenues from private placements of debt and equity securities and limited partnerships of $5,512,000, or 84%, in the fiscal year ended March 29, 1996. These increases were attributable to favorable market conditions for public and private offerings of debt and equity securities. Additionally, revenues from mergers and acquisitions and other financial advisory fees

increased $1,982,000, or 21%, due to favorable market conditions for this type of activity. Revenues from public finance decreased $2,080,000, or 26%, for the fiscal year ended March 29, 1996, due to a lower level of public finance offerings in which McDonald Securities participated.

Revenues from principal transactions increased $8,218,000, or 18%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. Revenues from trading taxable fixed income securities, including corporate bonds, United States government bonds and mortgage-backed securities, increased $1,261,000, or 6%. This increase in revenues from principal transactions in taxable fixed income securities was due to a more stable interest rate environment. Revenues from trading municipal bonds increased $1,655,000, or 23%, for the fiscal year ended March 29, 1996, primarily reflecting a trading loss of $2,440,000 recorded in March 1995, related to certain municipal inventory positions. Without regard to the fiscal year 1995 trading loss on certain municipal positions, revenues from trading municipal bonds decreased $1,385,000, or 14%. This decrease reflects a lower level of individual investor interest in tax-exempt securities, due to uncertainties caused by potential tax law changes. Revenues from principal transactions in equity securities increased $5,302,000, or 33%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. This increase was primarily due to a strong NASDAQ market and the continued expansion of the Company's sales force and its institutional equity capabilities.

Commissions revenue increased $16,444,000, or 33%, for the fiscal year ended March 29, 1996, compared with the fiscal year ended March 31, 1995. The increase in commissions revenue reflects higher volume resulting from both strong equity markets and the continued expansion of the Company's sales force. The increase in commissions revenue was comprised primarily of increases in revenues from listed and over-the-counter agency commissions of $11,223,000, or 35%, and an increase in revenues from mutual fund sales of $5,674,000, or 41%.

Revenues from investment management fees include advisory fees from the Company's mutual funds and money market funds and investment management fees earned related to individual managed accounts. Revenues from investment management fees increased $3,881,000, or 24%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. Revenues from investment management fees related to individual managed accounts increased $3,398,000, or 49%, while advisory fees from the Company's mutual funds and money market funds increased $483,000, or 5%. These increases were a result of an increase in assets under management.

Interest and dividend income decreased $2,027,000, or 11%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. This decrease resulted from a decrease in interest income from municipal bonds of $4,687,000, or 79%, due primarily to a decrease in interest income from certain municipal bond positions. The decrease in interest income from municipal bonds was partially offset by an increase in interest income earned on customer margin accounts of $1,690,000, or 22%, due to both a higher level of customer margin accounts and higher interest rates. Interest income from securities owned other than municipal bonds increased $475,000, or 10%.

Other income increased $2,671,000, or 57%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. The increase was primarily due to an increase of $1,464,000 in gains related to venture capital investments and an increase of $1,207,000 in transfer agent, service and other fee income related to the continued expansion of the retail business.

Operating expenses (total expenses before interest) increased $31,565,000, or

21%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year.

Employee compensation and benefits increased $24,502,000, or 24%, for the fiscal year ended March 29, 1996. Commission and other sales compensation expense increased $13,855,000, or 27%, for the fiscal year ended March 29, 1996, primarily as a result of the increase in revenues. Other clerical and administrative expenses increased $2,097,000, or 6%, for the fiscal year ended March 29, 1996. The remaining $8,550,000 increase in employee compensation represents increases in incentive compensation and profit sharing accruals, which were directly related to the increase in profitability.

All other operating expenses increased $7,063,000, or 15%, for the fiscal year ended March 29, 1996, compared with the fiscal year ended March 31, 1995. The increase in all other operating costs reflects the communications, occupancy and equipment and other operating costs related to the expansion of the Company's business. For the fiscal year ended March 29, 1996, communications expenses increased $1,088,000, or 9%, reflecting higher telecommunications, quotation and information services costs, due to both higher volume and higher employee headcount. Occupancy and equipment costs increased $2,126,000, or 16%. Of this increase, approximately $650,000 represented nonrecurring expenses related to the Company's technology renovation. Without regard to these items, occupancy and equipment costs increased 11%, reflecting recurring costs related to the technology renovation and headcount increases. Taxes other than income taxes increased $526,000, or 9%, reflecting primarily increased payroll taxes, due to increases in compensation expenses.

FISCAL 1996 COMPARED WITH FISCAL 1995

The category of other operating expenses increased $2,553,000, or 39%, for the fiscal year ended March 29, 1996, compared with the prior fiscal year. The increase is due primarily to an increase in legal costs of $1,167,000 related to pending litigation. Additionally, other professional fees increased $510,000, due to expenses associated with consulting services related to the technology renovation, and related to expansion of the Company's retail and investment banking businesses. Contributions expense increased $367,000, due to the higher level of profitability. The remaining expenses in this category increased $509,000, or 14%, reflecting primarily costs related to higher volume.

Interest expense increased $1,268,000, or 20%, for the fiscal year ended March 29, 1996, compared with the fiscal year ended March 31, 1995, due to a higher level of average short-term borrowings and an increase in short-term borrowing rates.

Income before income taxes for the fiscal year ended March 29, 1996, was $30,766,000, resulting in a pre-tax return on revenues of 13.9%. For the fiscal year ended March 31, 1995, income before income taxes was $20,704,000, resulting in a pre-tax return on revenues of 11.6%.

Effects of Recently Issued Accounting Standards

The Financial Accounting Standards Board recently issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," Statement No. 127, "Deferral of Certain Provisions of FAS No. 125," and Statement No. 128, "Earnings Per Share." The Company will adopt these pronouncements in its fiscal year ending in March 1998, as required. Although the Company has not completed its evaluation of the effect of these statements, the Company does not expect the implementation to have a material impact on the Company's financial condition or results of operation.

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EXHIBIT 99(d)

MCDONALD & COMPANY INVESTMENTS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share amounts)	Fiscal Year Ended March 28, 1997	March 29, 1996	March 31, 1995
Revenues			
Underwriting and investment banking	$ 73,611	$ 55,659	$ 41,951
Principal transactions	55,385	54,101	45,883
Commissions	79,907	66,498	50,054
Investment management fees	25,136	19,842	15,961
Interest and dividends	20,406	17,170	19,197
Other	7,052	7,351	4,680
	261,497	220,621	177,726
Expenses			
Employee compensation and benefits	152,708	127,059	102,557
Interest	9,629	7,638	6,370
Communications	14,693	13,581	12,493
Occupancy and equipment	17,657	15,187	13,061
Promotion and development	9,194	8,282	7,494
Floor brokerage and clearance	2,644	2,557	2,575
Taxes, other than income taxes	7,319	6,515	5,989
Other operating expenses	9,397	9,036	6,483
	223,241	189,855	157,022
Income before income taxes	38,256	30,766	20,704
Provision for income taxes	13,600	11,000	7,020
Net income	$ 24,656	$ 19,766	$ 13,684
Net income per share	$ 2.71	$ 2.18	$ 1.47
Average number of shares and share equivalents outstanding	9,113,000	9,072,000	9,303,000

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share and per share amounts)	March 28, 1997	March 29, 1996
Assets		
Cash and cash equivalents	$ 8,907	$ 12,376
Receivable from customers	179,606	175,973
Receivable from brokers and dealers	37,500	59,219
Securities purchased under agreements to resell	43,943	50,052
Securities owned	127,632	102,202
Other receivables	42,597	18,368

Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of $24,369 at March 28, 1997, and $19,804 at March 29, 1996	19,562	15,719
Other assets	42,221	37,192
	$ 501,968	$ 471,101
Liabilities and Stockholders' Equity		
Liabilities		
Short-term borrowings	$ 46,285	$ 77,024
Payable to customers	55,656	71,722
Payable to brokers and dealers	44,476	15,547
Securities sold under agreements to repurchase	67,151	67,135
Securities sold but not yet purchased	48,350	29,216
Accrued compensation	33,548	28,665
Accounts payable, accrued expenses, and other liabilities	27,380	25,969
Long-term borrowings	25,000	25,000
	347,846	340,278
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, without par value; 200,000 shares authorized; none issued		
Common Stock, par value $1.00 per share; 15,000,000 shares authorized; (11,801,620 and 11,620,857 shares issued, respectively)	11,802	11,621
Additional paid-in capital	55,868	51,663
Retained earnings	115,189	93,808
	182,859	157,092
Less treasury stock, at cost - 2,784,936 shares at March 28, 1997, and 2,691,495 shares at March 29, 1996	(28,737)	(26,269)
	154,122	130,823
	$ 501,968	$ 471,101

</TABLE>

See Notes to Consolidated Financial Statements.

MCDONALD & COMPANY INVESTMENTS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(In thousands, except share and per share amounts)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
Balance at March 25, 1994	$ 11,176	$ 44,916	$ 66,239	$(14,926)
Net income for the fiscal year			13,684	
Purchase of 674,377 shares of treasury stock, at cost				(8,380)
Issuance of 107,980 shares of treasury stock to satisfy exercise of stock options		(127)		857
Issuance of 258,659 shares of common stock	259	3,553		
Cash dividends, $.315 per share			(2,889)	
Balance at March 31, 1995	11,435	48,342	77,034	(22,449)
Net income for the fiscal year			19,766	
Purchase of 249,854 shares of treasury stock, at cost				(4,196)
Issuance of 39,894 shares of treasury stock to satisfy exercise of stock options		56		376
Issuance of 186,069 shares of common stock	186	3,265		
Cash dividends, $.335 per share			(2,992)	

Balance at March 29, 1996	11,621	51,663	93,808	(26,269)
Net income for the fiscal year			24,656	
Purchase of 176,803 shares of treasury stock, at cost				(3,309)
Issuance of 83,362 shares of treasury stock to satisfy exercise of stock options		(134)		841
Issuance of 180,763 shares of common stock	181	4,339		
Cash dividends, $.36625 per share			(3,275)	
Balance at March 28, 1997	$ 11,802	$ 55,868	$ 115,189	$(28,737)

</TABLE>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
<TABLE>
<CAPTION>

	Fiscal Year Ended		
(In thousands)	March 28, 1997	March 29, 1996	March 31, 1995
Operating Activities:			
Net Income	$ 24,656	$ 19,766	$ 13,684
<S>	<C>	<C>	<C>
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	6,681	5,485	4,973
Loss on disposal of furniture and equipment	387	670	
Deferred compensation	380	393	609
Deferred income taxes	(377)	68	560
Increase in receivable from customers	(3,633)	(39,793)	(11,886)
(Increase) decrease in receivable from brokers and dealers	21,719	(40,938)	12,634
(Increase) decrease in securities owned	(25,430)	(7,018)	57,506
Increase in other receivables	(24,229)	(2,000)	(4,281)
Increase (decrease) in payable to customers	(16,066)	36,342	7,160
Increase (decrease) in payable to brokers and dealers	28,929	(5,239)	(2,741)
Increase (decrease) in securities sold but not yet purchased	19,134	(18,485)	(16,943)
Increase (decrease) in accrued compensation	9,403	11,834	(492)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	1,031	4,708	(7,476)
Net cash provided by (used for) operating activities	42,585	(34,207)	53,307
Investing Activities:			
Purchase of furniture, equipment, and leasehold improvements	(10,316)	(9,993)	(5,678)
(Increase) decrease in other assets	(5,247)	(5,541)	4,109
Net cash (used for) investing activities	(15,563)	(15,534)	(1,569)
Financing Activities:			
Decrease in securities purchased under agreements to resell	6,109	38,817	127,394
Increase (decrease) in short-term borrowings	(30,739)	12,100	(25,807)
Increase (decrease) in securities sold under agreements to repurchase	16	15,106	(146,701)
Cash dividends	(3,275)	(2,992)	(2,889)
Purchase of treasury stock	(3,309)	(4,196)	(8,380)
Proceeds from issuance of treasury stock	707	432	730
Net cash (used for) provided by financing activities	(30,491)	59,267	(55,653)
Increase (decrease) in cash and cash equivalents	(3,469)	9,526	(3,915)
Cash and cash equivalents at beginning of fiscal year	12,376	2,850	6,765

Cash and cash equivalents at end of fiscal year	$ 8,907	$ 12,376	$ 2,850

</TABLE>

See Notes to Consolidated Financial Statements.

MCDONALD & COMPANY INVESTMENTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of McDonald & Company Investments, Inc., and its subsidiaries, collectively referred to as the "Company." All significant intercompany accounts and transactions are eliminated in consolidation.

The Company's fiscal year is the 52- or 53-week period ending on the last Friday in March.

The Company, through its principal subsidiary, McDonald & Company Securities, Inc. ("McDonald Securities"), is engaged in the business of a securities broker and dealer, which comprises several classes of service, such as underwriting and investment banking, principal and agency transactions, and investment advisory services.

Substantially all of the Company's financial assets and liabilities are carried at market value or at amounts which, because of the short-term nature of the financial instruments, approximate current fair value. The market value of the Company's long-term borrowings, estimated based on current interest rates, does not differ significantly from the amount recorded at March 28, 1997.

Cash and cash equivalents represent cash in banks and excess cash invested with banks overnight in short-term instruments.

Repurchase and resale agreements are treated as financing transactions and are carried at the amounts at which the securities will be reacquired or resold as specified in the respective agreements. It is the Company's policy to obtain possession of collateral. The Company monitors the risk of loss by assessing the market value of the underlying securities as compared to the related receivable or payable, including accrued interest, and requires additional collateral where deemed appropriate.

Securities owned and securities sold but not yet purchased are carried at market value, and unrealized gains and losses are included in revenues from principal transactions.

Securities transactions and related commissions revenue and expense are recorded on the settlement date basis. Settlement date is generally the third business day following the trade date. The effect on the financial statements of using the settlement date basis, rather than the trade-date basis, is not material.

Investment banking revenue (other than underwriting revenue) and investment management fees are recorded as the income is earned and the related services are performed. Underwriting revenue is recorded upon completion of the underwriting.

Furniture and equipment are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized on the straight-line method over the life of the lease or the useful life of the improvement, whichever is shorter.

The excess of the purchase price over net identifiable assets acquired (goodwill) is included in other assets and is being amortized on the straight-line basis over a period of 25 years.

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 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.

During the fiscal year ended March 28, 1997, the Financing Accounting Standards Board (the "FASB") issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," Statement No. 127, "Deferral of Certain Provisions of FAS No. 125," and Statement No. 128, "Earnings Per Share." The Company will adopt these pronouncements in its fiscal year ending in March 1998, as required. Although the Company has not completed its evaluation of the impact of these statements, the Company does not expect the implementation to have a material impact on the Company's financial condition or results of operation.

In October 1995, the FASB issued Statement No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") which allows an entity to continue to measure compensation costs for employee stock compensation plans in accordance with Accounting Principles Board Statement No. 25, ("APB No. 25") or to adopt the fair value method of accounting prescribed by SFAS No. 123. The Company has elected to continue to account for stock option grants under APB No. 25. The pro forma impact on net income and net income per share using the fair value method of accounting for stock option grants is not material. The fair value method of accounting for stock option grants may have a material impact on pro forma net income or net income per share in future years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - SECURITIES OWNED AND SECURITIES SOLD BUT NOT YET PURCHASED

Securities owned and securities sold but not yet purchased consist of the following:
<TABLE>
<CAPTION>

(In thousands)	March 28, 1997	March 29, 1996
Securities owned		
<S>	<C>	<C>
Corporate obligations	$ 45,804	$ 38,962
Mortgage-backed securities	38,698	31,526
State and municipal obligations	26,665	14,993
Corporate stocks	13,733	13,273
U.S. government obligations	2,666	3,305
Other	66	143
	$ 127,632	$ 102,202
Securities sold but not yet purchased		
U.S. government obligations	$ 43,358	$ 22,545
Corporate stocks	4,664	6,512
Other	328	159
	$ 48,350	$ 29,216

</TABLE>

NOTE C - SHORT-TERM BORROWINGS

Short-term borrowings include the following:

<TABLE>
<CAPTION>

(In thousands)	March 28, 1997	March 29, 1996
<S>	<C>	<C>
Secured bank loans	$ 817	$ 26,280

Unsecured bank loans	45,468	50,744
	$ 46,285	$ 77,024

Short-term borrowings are bank loans payable on demand at rates ranging from 6.0% to 8.5% at March 28, 1997. The secured loans were collateralized by customer-owned securities with a market value of $1,288,000 at March 28, 1997. At March 29, 1996, the secured loans were collateralized by customer-owned securities with a market value of $87,947,000 and Company-owned securities with a market value of $14,807,000. For the fiscal years ended March 28, 1997 and March 29, 1996, the weighted average interest rate on short-term borrowings was 6.0% and 6.4%, respectively.

The Company had total lines of credit of $310,000,000 at March 28, 1997, under which a maximum of $150,000,000 could be borrowed on an unsecured basis. There were no compensating balance requirements associated with these lines of credit.

Securities sold under agreements to repurchase bear interest at rates ranging from 5.6% to 6.1% and are collateralized by firm-owned securities with a market value of $67,297,000 at March 28, 1997. For the fiscal years ended March 28, 1997 and March 29, 1996, the weighted average interest rate on repurchase agreements was 5.86% and 6.14%, respectively.

NOTE D - LONG-TERM BORROWINGS

McDonald Securities has outstanding $25,000,000 in aggregate principal amount of 8.24% Subordinated Notes due January 15, 2002. McDonald Securities is required to pay principal amounts of $5,000,000 on January 15 in each year beginning in 1998. The notes are subordinated in right of payment to all senior indebtedness of McDonald Securities. The principal amount of the notes has been approved by the New York Stock Exchange, Inc. for inclusion in the regulatory capital of McDonald Securities (See Note H).

Total interest paid was $10,038,000 for the fiscal year ended March 28, 1997, $7,694,000 for the fiscal year ended March 29, 1996, and $6,412,000 for the fiscal year ended March 31, 1995.

NOTE E - INCOME TAXES

The provision for income taxes consists of the following:

(In thousands)	Fiscal Year Ended March 28, 1997	March 29, 1996	March 31, 1995
Federal			
Current	$ 13,411	$ 10,582	$ 6,260
Deferred	(377)	68	560
	13,034	10,650	6,820
State and Local	566	350	200
	$ 13,600	$ 11,000	$ 7,020

The provision for income taxes differs from the amount computed using the federal statutory rates of 35% for the fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995, as a result of the following:

(In thousands)	Fiscal Year Ended March 28, 1997	March 29, 1996	March 31, 1995
Expected tax provision at statutory rate	$ 13,389	$ 10,768	$ 7,246

Effects of non-taxable interest income	(322)	(500)	(813)
Non-deductible business meals and entertainment	442	389	378
Other-net	91	343	209
	$ 13,600	$11,000	$ 7,020

</TABLE>

Significant components of the Company's deferred tax assets included in Other assets in the statement of financial condition are as follows:

<TABLE>
<CAPTION>

(In thousands)	March 28, 1997	March 29, 1996
<S>	<C>	<C>
Deferred tax assets:		
Employee compensation accruals	$ 3,142	$ 2,538
Litigation and other reserves	2,656	2,410
Amortization	416	343
Other	827	1,010
Total deferred tax assets	7,041	6,301
Deferred tax liabilities:		
Depreciation	828	694
Other	585	356
Total deferred tax liabilities	1,413	1,050
Net deferred tax assets	$ 5,628	$ 5,251

</TABLE>

Total income taxes paid were $14,147,000 for the fiscal year ended March 28, 1997, $9,426,000 for the fiscal year ended March 29, 1996, and $5,400,000 for the fiscal year ended March 31, 1995.

NOTE F - NET INCOME PER SHARE

Net income per share is based on the average number of shares and share equivalents outstanding during the fiscal years. Share equivalents represent the effect of shares issuable under the Company's stock option plans.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Company has letters of credit for $3,000,000 which are being used to satisfy clearing corporation deposit requirements which approximated $1,403,000 at March 28, 1997. The agreements expire in June 1997 and September 1997 and the Company pays fees at 1% per annum.

McDonald Securities is a defendant in STEPHANIE TUBBS JONES ET. AL. V. MCDONALD & CO. SECURITIES, INC., ET. AL. (the "Jones Litigation"), a lawsuit currently pending in Cuyahoga County, Ohio, Court of Common Pleas. The action arose out of losses allegedly incurred by Cuyahoga County's Secured Assets Fund Earnings Program ("SAFE"). McDonald Securities and six other defendants have been named in the lawsuit. The complaint alleges that, in breach of various legal duties allegedly owed to the plaintiff, McDonald Securities and/or the other defendants enabled, facilitated and/or assisted the County's investment staff to engage in unsuitable and inappropriate investment and trading activities and practices. The plaintiff seeks to hold each of the defendants liable for compensatory and consequential damages. In addition, the complaint contains allegations of fraud and negligent misrepresentation against McDonald Securities and another defendant arising out of their respective roles as underwriters of two issuances of tax and current revenue anticipation notes ("TANS/CRANS") during 1993 and 1994. The plaintiff seeks to hold McDonald Securities liable for compensatory, consequential and punitive damages as a result of its role as an underwriter of the TANS/CRANS offerings. In June 1996, the court denied motions to dismiss the plaintiff's claims filed by McDonald Securities and various other defendants. In February 1997, the court granted defendants' motion to disqualify the Cuyahoga County Prosecutor's Office from the case. That ruling is currently being appealed by the plaintiff. In April 1997, pursuant to a stipulation entered into between the plaintiff and McDonald Securities' co-defendant on the allegations relating to the TANS/CRANS offerings, the plaintiff dismissed its TANS/CRANS claims against the co-defendant, without prejudice.

On December 23, 1996, McDonald Securities filed an answer denying the allegations of liability made by the plaintiff and raising a number of affirmative defenses to the plaintiff's allegations. McDonald Securities also filed counterclaims against the Cuyahoga County Board of Commissioners (the "Board"). McDonald Securities' counterclaims consist of a breach of contract claim arising out of representations and warranties made by the Board concerning the absence of material misstatements or omissions in the Official Statements for the TANS/CRANS offerings, and an estoppel claim arising out of McDonald Securities' justifiable reliance on assurance provided by the Board concerning, among other things, the investment experience of the Board's agents, the authorizations of the transactions in question by the Board's Investment Committee and the conformity of such transactions with the County's investment policies and procedures. The case is currently in the discovery stage and no trial date has been set. Based on the facts known to date, the Company believes that the plaintiff's claims against McDonald Securities are without merit, and intends to contest vigorously the allegations in the complaint.

The Company is a defendant in various lawsuits incidental to its securities business. In view of the number and diversity of claims against the Company and the inherent difficulty of predicting the outcome of litigation and other claims, the Company cannot state with certainty what the eventual outcome of pending litigation or other claims will be. The Company provides for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future results of operations cannot be predicted because any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While it is not possible to predict with certainty, management believes that the ultimate resolution of such matters, including the Jones Litigation, will not have a material adverse effect on the consolidated financial position, liquidity, or results of operations of the Company.

Aggregate commitments under operating leases for office space and equipment in effect as of March 28, 1997, with initial or remaining noncancellable lease terms in excess of one year, are approximately $68,885,000 payable as follows 1998 - $8,787,000; 1999 - $8,259,000; 2000 - $6,876,000; 2001 - $5,923,000; 2002 - $5,388,000, and thereafter - $33,652,000. Certain of these leases have escalation clauses, based on certain increases in costs incurred by the lessor, and renewal options. Rental expense amounted to $7,854,000 for the fiscal year ended March 28, 1997, $6,744,000 for the fiscal year ended March 29, 1996, and $6,025,000 for the fiscal year ended March 31, 1995.

NOTE H - NET CAPITAL REQUIREMENTS

McDonald Securities is subject to the Uniform Net Capital Rule (the "Rule") of the Securities and Exchange Commission and the net capital rules of the New York Stock Exchange, Inc. (the "Exchange"), of which McDonald Securities is a member. McDonald Securities has elected to use the alternative method permitted by the Rule which requires that it maintain minimum net capital, as defined, equal to 2% of aggregate debit balances arising from customer transactions, as defined. The Exchange may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit balances and may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit balances.

Net capital and aggregate debit balances change from day to day. At March 28, 1997, McDonald Securities' net capital under the Rule was $78,724,000, or 39% of aggregate debit balances, and $74,686,000 in excess of the minimum required net capital.

NOTE I - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET AND CREDIT RISK

In the normal course of business, the Company's activities involve the execution, settlement and financing of various securities transactions. These activities may expose the Company to risk in the event the customer is unable to fulfill its contractual obligations. The Company maintains cash and margin accounts for its customers located throughout the United States, but primarily in the Midwest.

The Company, as a part of its normal brokerage activities, assumes short positions in securities. The establishment of short positions exposes the Company to off-balance sheet risk in the event prices change, as the Company may be obligated to cover such positions at a loss. The Company enters into short positions in United States government bonds in order to manage the interest rate risk related to trading positions in corporate bonds, mortgage-backed securities and United States government securities. The Company enters into short positions in corporate stocks in the ordinary course of operations related to its NASDAQ trading activities.

As a securities broker and dealer, a substantial portion of the Company's transactions are collateralized. The Company's exposure to credit risk associated with the nonperformance in fulfilling contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the customers' or contra parties' ability to satisfy their obligations to the Company. Where considered necessary, the Company requires a deposit of additional collateral, or a reduction of securities positions.

In the normal course of business, the Company enters into underwriting and forward commitments. At March 28, 1997, the Company's commitments included forward purchase and sale contracts involving mortgage-backed securities with market values of approximately $50 million and $49 million, respectively, and collateralized mortgage obligations with market values of approximately $91 million and $76 million, respectively. At March 29, 1996, the Company's commitments included forward purchase and sale contracts involving mortgage-backed securities with market values of approximately $173 million and $173 million, respectively, and collateralized mortgage obligations with market values of approximately $83 million and $76 million, respectively. Transactions relating to such commitments, which were subsequently settled, had no material effect on financial position.

The average fair value of mortgage-backed securities and collateralized mortgage obligations included in securities owned was $25,390,000 at March 28, 1997 and $25,575,000 at March 29, 1996.

The revenues from trading mortgage-backed securities and collateralized mortgage obligations, including both forward and regular-way transactions, are included in revenues from principal transactions and were $5,270,000, $6,180,000, and $5,479,000, respectively, for the fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995.

NOTE J - EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) defined-contribution and profit-sharing plan covering substantially all employees. The Plan provides for the Company to match, at a minimum, an amount equal to the retirement savings contributions made to the Plan by each participant up to a maximum of 50% of the first 4% of qualified compensation for exempt and sales employees, and 100% of the first 2% plus 50% of the next 2% of qualified compensation for nonexempt employees. The Company's profit sharing contribution is determined annually, based on the Company's performance. The Company's contribution expense related to the plan was $2,100,000 for the fiscal year ended March 28, 1997, $2,000,000 for the fiscal year ended March 29, 1996 and $1,532,000 for the fiscal year ended March 31, 1995.

NOTE K - STOCK OPTION AND RESTRICTED STOCK PLANS

The Company had authorized 720,000 shares of Common Stock for issuance pursuant to the Company's Stock Option Plan for employees, which terminated on June 6, 1993. An additional 28,800 shares were authorized for issuance under the 1990 Stock Option Plan for Outside Directors. Options outstanding at the time of termination of these plans continue according to the terms of these plans. The Company has authorized 500,000 shares of common stock for issuance under the 1995 Key Employees Stock Option Plan, although no shares have been issued under this plan. The Company also authorized 50,000 shares of common stock for issuance pursuant to the Company's 1995 Stock Option Plan for Non-Officer Directors. Stock option activity for the fiscal years ended March 28, 1997, March 29, 1996, and March 31, 1995 was as follows:

<TABLE>
<CAPTION>

	Stock Option Plan		1990 Stock Option Plan for Outside Directors		1995 Stock Option Plan for Non-Officer Directors	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at March 25, 1994	419,666	$ 8.03	19,200	$ 7.08		
Exercised	(107,980)	$ 6.26				
Canceled	(4,912)	$ 6.43				
Outstanding at March 31, 1995	306,774	$ 8.67	19,200	$ 7.08		
Granted during fiscal 1996					5,000	$18.40
Exercised	(37,014)	$ 7.15	(2,880)	$ 9.69		
Canceled	(1,200)	$ 7.32	(1,920)	$ 9.69		
Outstanding at March 29, 1996	268,560	$ 8.89	14,400	$ 6.22	5,000	$18.40
Granted during fiscal 1997					6,000	$22.63
Exercised	(83,362)	$ 8.11				
Canceled	(9,240)	$12.60				
Outstanding at March 28, 1997	175,958	$ 9.18	14,400	$ 6.22	11,000	$20.71
Options outstanding at March 28, 1997:						
Exercisable	144,720	$ 8.43	13,440	$ 6.03	5,000	$18.40
Available for future grant	--		--		39,000	
Weighted average remaining contractual life	3.4 years		4.0 years		8.9 years	
Range of exercise price per share for options	$3.65 - $12.71		$4.90 - $8.85		$17.75 - $37.63	

</TABLE>

The options under the Company's Stock Option Plan and the 1990 Stock Option Plan for Outside Directors become exercisable over a five-year period from the date of grant and expire 10 years from the date of grant. Under the 1995 Stock Option Plan for Non-Officer Directors, options become exercisable one year from the date of grant and expire 10 years from the date of grant.

The Company has authorized 2,000,000 shares of Common Stock for issuance pursuant to the Company's 1995 Stock Bonus Plan (the "Bonus Plan"). Under the Bonus Plan, restricted stock awards may be granted to certain employees. Employees who are granted stock awards under the terms of the Bonus Plan may elect to receive shares of stock which are restricted as to sale or transfer for a period of two years from the June 1 following the date of grant. These shares are issued at a discount of 5% from the current market value of the shares. Alternatively, an employee may elect to receive shares which are subject to forfeiture if the employee's employment terminated within three years from the June 1 following the date of grant. These shares are issued at a discount of 15% from the current market value. The Company issued 180,763, 186,069 and 258,659 shares of common stock, respectively, for the fiscal years ended March 28, 1997, March 29, 1996 and March 31, 1995, in connection with the Bonus Plan.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Stockholders and Board of Directors
McDonald & Company Investments, Inc.

We have audited the accompanying consolidated statements of financial condition of McDonald & Company Investments, Inc., and subsidiaries as of March 28, 1997, and March 29, 1996, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three fiscal years in the period ended March 28, 1997. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial position of McDonald & Company Investments, Inc., and subsidiaries at March 28, 1997, and March 29, 1996, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended March 28, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Ernst & Young LLP

Cleveland, Ohio

May 6, 1997