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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

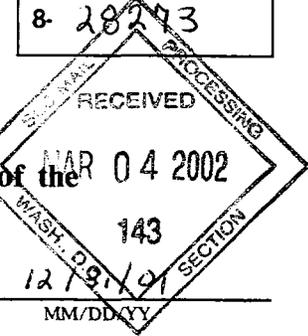
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-28243

FACING PAGE

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



REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Charles Chalmers McDonald

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2666 Compass Dr.
(No. and Street)

Annapolis MD 21401
(City) (State) (Zip Code)

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

Charles C. McDonald 410-573-9183
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Morgan, James M. II

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

108 Old Solomons Island Rd, Annapolis, MD 21401
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 20 2002

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

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

Handwritten initials/signature

OATH OR AFFIRMATION

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

Charles C. McDonald

Signature

Sole Proprietor

Title

Ramona Andrews

Notary Public

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

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

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

James H. Morgan II

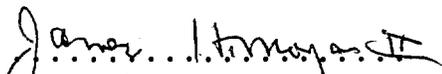
108 Old Solomons Island Rd. Annapolis, MD 21401 Tel: (410) 266-8633

Having examined the general ledger, blotter, and supporting documents thereto of the broker-dealer firm of C.C.McDonald, S.E.C. File Number 8-28273/Firm ID Number 010934, I hereby certify that to the best of my knowledge and belief all statements and schedules in its 2001 Annual Report of Financial Condition are accurate representations of C.C. McDonald's financial condition and, further, that this audit has been made in accordance with generally accepted auditing standards.

Insomuch as C.C.McDonald carries no securities for any customers, being solely a dealer for Pioneer, Franklin Templeton, and Fidelity Destiny mutual funds, there are no procedures for the safeguarding of securities to be examined.

Considering (1) that C.C.McDonald consists only of the sole proprietor and a German citizen/resident who is not authorized (and does not) sell to U.S. citizens, (2) that C.C.McDonald had income of only \$6183, of which \$5926 was from mutual funds commissions generated solely from existing accounts, (3) that C.C.McDonald did no advertising and the only correspondence with clients, not counting the mandatory letter about "confidential customer financial information", was initiated by the clients or in several instances clients redeeming shares were contacted to offer assistance determining a cost basis, (4) that C.C.McDonald heard of no complaints from clients or otherwise, (5) that C.C.McDonald has properly notified its designated District Office that the firm would continue as a sole proprietorship (having conducted less than ten securities transactions in the year 2001 in all individual or joint accounts with his wife), the firm's internal accounting procedures are as basic and simple, but quite adequate to comply with rules 15c3-1 & -3, etc., as could be imagined.

C.C.McDonald has filed SIPC-3, Certificate of Exclusion From Membership, for the year ending December 31, 2002, as it has in prior years.


James H. Morgan II
(Public Accountant)

Annapolis, MD

February 19, 2002

Statement
of
FINANCIAL CONDITION
as of 31 December 2001

Assets

Allowable: Cash
CRD reserve account

6317
66
6383

Liabilities

Ownership Equity

0
6383

Total Liabilities & Ownership Equity

6383

Statement

of

INCOME (Loss)

for the period from January 1, 2001 to December 31, 2001

REVENUE

Revenue from sale of investment company shares

5926

Other revenue

257

Total revenue

6183

EXPENSES

Compensation to sole proprietor

7444

Commissions to registered representatives

75

Regulatory fees and expenses

961

Other expenses

145

Total expenses

8625

NET INCOME

<2442>

Statement of CHANGES in FINANCIAL CONDITION
for the year ended 31 December 2001

| | | | |
|-------------------|---|---------------|-----------------------|
| 1 Jan 2001 | Cash available | | \$ 8825 |
| 1 Jan-31 Dec 2001 | Revenue from sale of investment company shares | \$ 5926 | |
| 1 Jan-31 Dec 2001 | Interest from bank accounts | <u>\$ 257</u> | |
| | | | \$ 6183 |
| 1 Jan-31 Dec 2001 | Compensation to sole proprietor | [\$7444] | |
| 1 Jan-31 Dec 2001 | Commission to registered representatives | [\$ 75] | |
| 1 Jan-31 Dec 2001 | Regulatory fees and expenses | [\$ 961] | |
| 1 Jan-31 Dec 2001 | Other expenses | [\$ 145] | |
| | | | <u>[\$8625]</u> |
| 31 Dec 2001 | Cash available | | <u><u>\$ 6303</u></u> |

Statement

of

CHANGES in SOLE PROPRIETOR'S CAPITAL

for the period from 1 January 2001 to 31 December 2001

| | | |
|--|---|--------------------|
| Sole proprietor's capital as of 1 January 2001 | : | \$ 8825 |
| Sole proprietor's capital as of 31 December 2001 | : | <u>\$ 6383</u> |
| Change | | < <u>\$ 2442</u> > |

Statement
of
CHANGES in LIABILITIES SUBORDINATED to
CLAIMS of GENERAL CREDITORS
as of 31 December 2001

Not Applicable

Schedule
of
COMPUTATION of NET CAPITAL pursuant to RULE 15c3-1
and
COMPUTATION of RESERVE REQUIREMENTS pursuant to RULE 15c3-3
as of 31 December 2001

| | | |
|-------------------------------|----------------|--------|
| Total assets | \$ 6383 | |
| Total liabilities | | \$ |
| Net worth | <u>\$ 6383</u> | |
| Non-allowable assets | | \$ |
| Haircuts on securities | | \$ |
| Net worth | <u>\$ 6383</u> | |
| Required net capital (\$2500) | | \$5000 |
| Excess net capital | <u>\$ 1383</u> | |

Schedule
of
INFORMATION RELATING to POSSESSION or CONTROL REQUIREMENTS
under RULE 15c3-3
as of 31 December 2001

Not Applicable

See Attached Statement

Schedule

of

A RECONCILIATION, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.

Not Applicable

Schedule

of

A RECONCILIATION between the audited and unaudited
Statements of Financial Condition with respect to
methods of consolidation.

Not Applicable

Statement
of
ANY MATERIAL INADEQUACIES

NONE
