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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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8-28273

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

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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 01/01/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Charles C. ^{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. III
(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.

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THOMSON
FINANCIAL

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

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., 2002, 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

Jusad V. Hardesty
Notary Public
Susan Hardesty Exp. 4/8/03

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

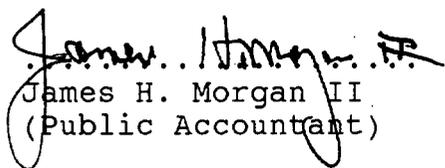
108 Old Solomons Island Rd. Annapolis, MD 21401 Tel: (410) 266-8633

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 2002 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, (2) that C.C.McDonald had income of only \$5500, of which \$5338 was from mutual funds commissions generated solely from existing accounts, (3) that C.C.McDonald did no advertising and the only correspondence with clients was initiated by the clients or in several instances clients redeeming shares/reaching the age of mandatory IRA withdrawals were contacted to offer assistance determining a cost basis/explaining withdrawal options, (4) that C.C.McDonald heard of no complaints from clients or otherwise, 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, 2003, as it has in prior years.


James H. Morgan II
(Public Accountant)

Annapolis, MD

February 13, 2003

Statement
of
FINANCIAL CONDITION
as of 31 December 2002

Assets

Allowable: Cash

8123

Liabilities

Ownership Equity

0
8123
8123

Total Liabilities & Ownership Equity

Statement
of
INCOME (Loss)

for the period from January 1, 2002 to December 31, 2002

REVENUE

Revenue from sale of investment company shares

5338
162

Other revenue

Total revenue

5500

EXPENSES

Compensation to sole proprietor

2737

Commissions to registered representatives

63

Regulatory fees and expenses

894

Other expenses

66

Total expenses

3760

NET INCOME

1740

Statement of CHANGES in FINANCIAL CONDITION
for the year ended 31 December 2002

1 Jan	Cash available		\$ 6383
1 Jan-31 Dec	Revenue from sale of investment company shares	\$5338	
1 Jan-31 Dec	Interest from bank accounts	<u>162</u>	
			\$ 5500
1 Jan-31 Dec	Compensation to sole proprietor	[\$2737]	
1 Jan-31 Dec	Commission to registered representatives	[\$ 63]	
1 Jan-31 Dec	Regulatory fees and expenses	[\$ 894]	
1 Jan-31 Dec	Other expenses	[\$ 66]	
			<u>[\$3760]</u>
31 Dec	Cash available		<u>\$8123</u>

Statement
of
CHANGES in SOLE PROPRIETOR'S CAPITAL
for the period from 1 January 2002 to 31 December 2002

Sole proprietor's capital as of 1 January 2002 :	\$ 6383
Sole proprietor's capital as of 31 December 2002 :	<u>\$ 8123</u>
Change	<u>\$ 1740</u>

Statement
of
CHANGES in LIABILITIES SUBORDINATED to
CLAIMS of GENERAL CREDITORS
as of 31 December 2002

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 2002

Total assets	\$ 8123	
Total liabilities		\$
Net worth	<u>\$ 8123</u>	
Non-allowable assets		\$
Haircuts on securities		\$
Net worth	<u>\$ 8123</u>	
Required net capital (\$2500)		<u>\$ 5000</u>
Excess net capital	<u>\$ 3123</u>	

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

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