

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**  
SEC Accession No. **0000950152-99-006239**

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### CIRCLE INCOME SHARES INC

CIK: **20358** | Fiscal Year End: **0630**

Type: **N-30D** | Act: **40** | File No.: **811-02378** | Film No.: **99670641**

#### Mailing Address

*P.O. BOX 77004*

*IN1-0170*

*INDIANAPOLIS IN 46277-7004 3173218180*

#### Business Address

*P O BOX 77004*

*INDIANAPOLIS IN 46277*

-----  
 CIRCLE INCOME SHARES, INC.  
 -----

LOGO 1999  
 ANNUAL REPORT

FISCAL YEAR ENDED  
 JUNE 30, 1999

CIRCLE INCOME SHARES, INC.  
 CORPORATE DESCRIPTION  
 -----

Circle Income Shares, Inc. ("the Company") is a closed-end investment company with \$32.1 million in net capital as of June 30, 1999. The primary investment objective of the Company is to provide as high a level of current income as is consistent with prudent investment risk through investment principally in debt securities, with capital appreciation as a secondary investment objective. The Company primarily invests in Corporate and mortgage-backed fixed-income securities including some high yield, high risk fixed-income securities of domestic and foreign companies. The Company's stock is traded on the over-the-counter market as a national issue, under the NASDAQ symbol CINS. Banc One Investment Advisors Corporation is the Company's investment advisor.

TABLE OF CONTENTS  
 -----

<TABLE>	
<S>	<C>
Report from Management.....	1
Five-Year Summary of Distributions.....	2
Projected Dividend Dates.....	2
Federal Tax Status.....	2
Schedule of Portfolio Investments.....	3-5
Statement of Assets and Liabilities.....	6
Statement of Operations.....	7
Statements of Changes in Net Assets.....	8
Notes to Financial Statements.....	9-10
Financial Highlights.....	11
Report of Independent Public Accountants.....	12
Dividend Reinvestment Plan.....	13-15
Directors.....	16
Officers.....	16

</TABLE>

CIRCLE INCOME SHARES, INC.  
 REPORT FROM MANAGEMENT  
 -----

This Annual Report reviews Circle Income Shares' results for the fiscal year ended June 30, 1999. Compared to the prior fiscal year, interest rates were generally lower in yield, decreasing your Company's net investment income to \$2,208,420 or \$0.79 per share compared to the net investment income of \$2,334,865 or \$0.83 per share in fiscal year 1998. Higher interest rates at the close of the fiscal year, however, generated a lower per share net asset value of \$11.44, a decrease from \$11.96 per share from the prior fiscal year-end.

Total net assets at fiscal year-end were \$32,068,134.

Dividends during the 1999 fiscal period were paid at the monthly rate of \$0.065. Total annual distributions per share for the fiscal year were \$0.78. It has been your Company's practice to make dividend payments on the first Friday of each month to shareholders of record two weeks prior to payment date. A table showing projected dividend record and payment dates for the 2000 fiscal year is included on page two of the Report.

Interest rate movement formed a "V" shaped trend during the fiscal year. The ten-year maturity United States Treasury yield began the fiscal year at 5.45% on June 30, 1998. Treasury yields steeply declined during the first fiscal quarter with the ten-year yield falling over 1.0% to 4.41% on September 30, 1998. Ten-year Treasury yields reached record historical lows in October hitting 4.16%. For the next three fiscal quarters, Treasury yields increased with the ten-year Treasury ending the fiscal year on June 30, 1999 with a yield of 5.79%.

During the second half of calendar 1998, fear abounded in the fixed income markets. Many of the world's economies experienced weak economic performance. In Europe, both Germany and Italy experienced contracting economic activity during the 4th calendar quarter of the year. The Southeast Asia economies remained severely depressed. Russia defaulted on its international debt obligations and devalued its currency. Latin American economies and currencies weakened during this time period. In response to the global economic malaise and fear in world financial markets, the Federal Reserve lowered the key federal funds rate by 0.25% three times during a seven-week period, reducing the rate to 4.75% by November 17, 1998. Despite the weak global economy, the United States economy performed well in the fourth calendar quarter with an exceptionally strong 6.0% GDP growth rate, low unemployment, and continuing low price inflation.

Global economic fear drove bond investors to the world's safe haven; the United States Treasury market. Treasury yields decreased with this burst in demand. However, investor demand evaporated for the riskier non-Treasury sectors of mortgage-backed and corporate securities, widening yield spreads dramatically. Improvement in the international economy in 1999, along with continued strong domestic growth, brought higher Treasury yields. A tightening of yield spread relationships brought positive relative performance to mortgage-backed and corporate securities during the first half of calendar year 1999. The Circle Income Portfolio performed in line with the Lehman Aggregate Index during the latest twelve-month period.

We expect long bond interest rates to remain in the 5.8% to 6.1% range during the remainder of the calendar year 1999. Economic growth will remain robust, but inflation is forecast to run at a moderate pace. We continue to see little likelihood of a recession in the near future. Your Company's portfolio will continue to be invested in the higher yielding mortgage-backed, investment grade corporate and high-yield corporate sectors, thus seeking to provide a high level of current income consistent with the prudent management of investment risk.

In January 1999, your Company's Board of Directors accepted the resignation of one of our Directors, Michael S. Hunt. Mr. Hunt will be relocating out of Indiana and we wish him well in his future endeavors, as he has served your interests well during his tenure. At our April 1999 meeting, the Board accepted the nomination of a new Director, Mr. Charles E. Greer. Mr. Greer is an attorney and local businessman with a strong background in fixed income financing and investments. Mr. Greer was unanimously elected by the Board to fill the vacant Director's chair.

<TABLE>	
<S>	<C>
/s/ Bruce J. Glor	/s/ Jeffrey W. Fountain
Bruce J. Glor	Jeffrey W. Fountain
President	Executive Vice President & Chief Investment Officer
</TABLE>	

1

4

CIRCLE INCOME SHARES, INC.  
FIVE-YEAR SUMMARY OF DISTRIBUTIONS

<TABLE>  
<CAPTION>

YEAR ENDED JUNE 30	PER SHARE DISTRIBUTIONS
1999	.780
1998	.840
1997	.870
1996	.895
1995	.900

</TABLE>

PROJECTED DIVIDEND DATES-FISCAL 2000

Listed below are the expected dividend distribution dates for the next twelve months. These dates are subject to change by the Board of Directors.

<TABLE>  
<CAPTION>

RECORD DATE	PAYMENT DATE	RECORD DATE	PAYMENT DATE
July 23, 1999	August 6, 1999	January 21, 2000	February 4, 2000
August 20, 1999	September 3, 1999	February 18, 2000	March 3, 2000
September 17, 1999	October 1, 1999	March 24, 2000	April 7, 2000
October 22, 1999	November 5, 1999	April 21, 2000	May 5, 2000
November 19, 1999	December 3, 1999	May 19, 2000	June 2, 2000
December 24, 1999	January 7, 2000	June 23, 2000	July 7, 2000

</TABLE>

FEDERAL TAX STATUS

Of the distributions made to corporations during the fiscal year ended June 30, 1999, no portion qualifies for the dividends received deduction under Internal Revenue Code Section 243. Detailed information on the taxability of dividends is mailed to shareholders annually.

2

5

CIRCLE INCOME SHARES, INC.  
SCHEDULE OF PORTFOLIO INVESTMENTS (NOTE 1)

JUNE 30, 1999 (ALL AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

PRINCIPAL AMOUNT	MARKET VALUE
<S>	<C>

SHORT-TERM OBLIGATIONS (0.59%)*		
\$ 190.6	Ford Motor Credit Corporation 4.80% Commercial Paper, due 07/01/99.....	\$ 190.6
		-----
	TOTAL SHORT-TERM OBLIGATIONS (COST \$190.6).....	190.6
		-----
U.S. GOVERNMENT INSTRUMENTALITY OBLIGATIONS ( 22.09%)*		
Government National Mortgage Association, Single Family:		
11.9	13.00%, due 1/15/15, Pool # 121789.....	13.7
103.4	9.00%, due 9/15/16, Pool # 179836.....	110.1
63.6	9.00%, due 10/15/16, Pool # 170831.....	68.0
6.5	9.00%, due 6/15/18, Pool # 234162.....	6.9
62.9	9.00%, due 7/15/18, Pool # 216264.....	67.1
16.2	9.00%, due 11/15/19, Pool # 275501.....	17.3
138.4	9.00%, due 3/15/20, Pool # 160559.....	147.5
58.5	10.00%, due 11/15/20, Pool # 299559.....	62.4
5.9	10.00%, due 11/15/20, Pool # 299818.....	6.3
110.7	9.00%, due 7/15/21, Pool # 313183.....	117.9
21.7	9.00%, due 11/15/21, Pool # 218409.....	23.1
494.9	9.00%, due 1/15/22, Pool # 316247.....	525.8
892.9	9.00%, due 1/15/25, Pool # 369632.....	947.9
451.9	8.50%, due 11/15/25, Pool # 405529.....	473.4
795.1	7.00%, due 12/15/26, Pool # 780481.....	784.4
722.6	7.00%, due 2/15/28, Pool # 408006.....	712.9
888.5	7.00%, due 4/15/28, Pool # 360750.....	876.5
329.2	8.00%, Series 2, due 9/25/26, Pool # 2285.....	337.5
324.4	8.00%, Series 2, due 2/20/27, Pool # 2379.....	332.5
749.2	6.50%, Series 2, due 2/20/29, Pool # 2714.....	718.3
Federal Home Loan Mortgage Corporation:		
7.8	10.00%, due 9/1/01, Pool # 213106.....	8.0
82.7	8.50%, due 1/1/08, Gold Pool # 10164.....	85.7
103.9	10.25%, due 6/1/09, Pool # 160081.....	109.9
11.4	14.75%, due 3/1/10, Pool # 170027.....	12.9
7.8	14.50%, due 12/1/10, Pool # 170040.....	8.9
9.8	13.50%, due 1/1/11, Pool # 170042.....	11.1
17.0	15.00%, due 3/1/11, Pool # 170045.....	19.5
2.1	14.50%, due 3/1/11, Pool # 170046.....	2.4
26.0	14.50%, due 12/1/11, Pool # 181072.....	29.8
0.5	13.50%, due 10/1/12, Pool # 183150.....	0.6
28.6	12.50%, due 1/1/14, Pool # 304168.....	31.5
5.3	13.00%, due 6/1/14, Pool # 170096.....	6.0

</TABLE>

CIRCLE INCOME SHARES, INC.  
SCHEDULE OF PORTFOLIO INVESTMENTS (NOTE 1) (CONTINUED)

JUNE 30, 1999 (ALL AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		MARKET VALUE
<C>	<S>	<C>
U.S. GOVERNMENT INSTRUMENTALITY OBLIGATIONS (CONTINUED):		
Federal National Mortgage Association:		
\$ 22.1	10.00%, due 10/1/01, Pool # 34458.....	\$ 22.9
68.9	9.00%, due 3/1/17, Pool # 177563.....	72.7
92.2	10.00%, due 12/1/18, Pool # 68374.....	98.9
54.7	9.00%, due 1/1/19, Pool # 70318.....	57.9
148.2	9.00%, due 3/1/25, Pool # 250228.....	156.4

TOTAL U.S. GOVERNMENT INSTRUMENTALITY OBLIGATIONS (COST		
	\$7,073.7).....	7,084.6
		-----
CORPORATE BONDS (75.85%)*		
Financial (17.62%):		
500.0	Citicorp, 9.75% Subordinated Capital Notes, due 8/1/99.....	501.6
750.0	Enterprise Rental Car USA Finance Company, 6.95% Notes, due	
	3/1/04.....	739.9
1,000.0	First Interstate (Wells Fargo), 9.125% Subordinated Notes,	
	due 2/1/04.....	1,097.9
1,000.0	Fletcher Challenge Industries Finance USA Ltd., 9% Notes,	
	due 9/15/99.....	1,005.6
1,000.0	General Motors Acceptance Corporation, 8.50% Notes, due	
	1/1/03.....	1,061.2
500.0	Goldman Sachs Company, 6.75% 144A Notes, due 2/15/06.....	490.7
750.0	Sumitomo Bank International Finance, 8.50% Notes, due	
	6/15/09.....	754.9
		-----
	Total Financial.....	5,651.8
		-----
Healthcare (2.31%):		
750.0	Tenet Healthcare, 8.625% Senior Subordinated Notes, due	
	1/15/07.....	741.5
		-----
	Total Healthcare.....	741.5
		-----
Housing (2.32%):		
750.0	Ryland Group, 9.625% Senior Subordinated Notes, due	
	6/1/04.....	744.4
		-----
	Total Housing.....	744.4
		-----
Industrial (7.06%):		
750.0	Ball Corporation, 7.75% Senior Notes, due 8/01/06.....	735.0
1,000.0	Ford Motor Company, 9% Debentures, due 9/15/01.....	1,055.7
500.0	Owens Illinois Company, 7.35% Senior Notes, due 5/15/08.....	471.9
		-----
	Total Industrial.....	2,262.6
		-----
Lumber (3.45%):		
1,000.0	Georgia Pacific, 9.50% Debentures, due 5/15/22.....	1,104.9
		-----
	Total Lumber.....	1,104.9
		-----
Real Estate (3.62%):		
750.0	Equity Office Properties Operating LP, 7.25% Senior Notes,	
	due 2/15/18.....	688.3
500.0	Simon DeBartolo Group LP, 7% Notes, due 7/15/09.....	472.6
		-----
	Total Real Estate.....	1,160.9
		-----

</TABLE>

CIRCLE INCOME SHARES, INC.

SCHEDULE OF PORTFOLIO INVESTMENTS (NOTE 1)

(CONTINUED)

JUNE 30, 1999

(ALL AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

PRINCIPAL

MARKET

AMOUNT	<S>	VALUE
<C>		<C>
	CORPORATE BONDS (CONTINUED):	
	Retail (3.97%):	
\$ 750.0	Federated Department Stores, 8.125% Senior Notes, due 10/15/02.....	\$ 768.8
500.0	Fred Meyer Stores Inc., 7.45% Senior Notes, due 3/01/08.....	504.4
	Total Retail.....	1,273.2
	Telecommunication and Entertainment (17.83%):	
800.0	News America Holdings, 7.75% Senior Debentures, due 1/20/24.....	775.7
1,000.0	Sprint Corporation, 9.50% Debentures, due 4/1/03.....	1,083.6
1,000.0	Tele-Communications, Inc., 9.80% Senior Debentures, due 2/1/12.....	1,221.8
1,000.0	Time Warner Entertainment, 8.875% Senior Notes, due 10/1/12.....	1,114.0
750.0	Westinghouse Electric, 8.625% Debentures, due 8/1/12.....	812.9
750.0	WorldCom, Inc., 6.95% Senior Notes, due 8/15/28.....	711.0
	Total Telecommunications and Entertainment.....	5,719.0
	Technology (2.42%):	
750.0	Applied Materials, Inc., 8% Senior Notes, due 9/1/04.....	777.3
	Total Technology.....	777.3
	Transportation (12.93%):	
992.0	American Airlines, Inc., 10.18% Pass-Through Certificates, Series 1991-A2, due 1/2/13.....	1,141.0
642.0	Delta Airlines, 10% Equipment Trust Certificates, Series 1991-K, due 12/5/14, 144A.....	744.3
1,000.0	Federal Express, 9.65% Notes, due 6/15/12.....	1,157.0
1,000.0	United Airlines, 9.125% Debentures, due 1/15/12.....	1,104.2
	Total Transportation.....	4,146.5
	Utilities (2.32%):	
750.0	Calenergy Company, Inc., 7.23% Senior Notes, due 9/15/05....	744.1
	Total Utilities.....	744.1
	TOTAL CORPORATE BONDS (COST \$23,305.6).....	24,326.2
	TOTAL INVESTMENTS AT MARKET VALUE (COST \$30,569.9).....	\$ 31,601.4

</TABLE>

\* Percentages indicated are based on net assets of \$32,068.1

The accompanying notes to financial statements are an integral part of this schedule.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1999
	----
	<C>
ASSETS:	
-----	
<S>	
Investments, at market value (identified cost \$30,569.9)	
(Note 1).....	\$31,601.4
Receivable from brokers for investments sold.....	12.2
Accrued interest receivable (Note 1).....	672.4
Other assets.....	9.9
	-----
Total Assets.....	\$32,295.9
	-----
LIABILITIES:	
Accrued Expenses:	
Investment advisory and custody fees.....	13.7
Transfer and dividend disbursing agent fees.....	4.6
Other expenses.....	27.3
Dividend payable (July 2, 1999 -- \$0.065 per share).....	182.2
	-----
Total Liabilities.....	\$ 227.8
	-----
NET ASSETS:	
Common Stock (\$1.00 par value; 10,000.0 shares authorized;	
2,803.5 shares outstanding).....	\$ 2,803.5
Additional paid-in capital.....	30,221.0
Accumulated realized loss on investments (Note 2).....	(1,992.4)
Net unrealized appreciation of investments (Note 3).....	1,031.5
Undistributed net investment income.....	4.5
	-----
Net Assets applicable to outstanding shares.....	\$32,068.1
	=====
Net Asset Value (NAV) per share.....	\$ 11.44
	=====

&lt;/TABLE&gt;

The accompanying notes to financial statements are an integral part of this statement.

-----  
6

9

CIRCLE INCOME SHARES, INC.  
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 1999 (ALL AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1999
	----
	<C>
INVESTMENT INCOME:	
<S>	
Interest Income.....	\$ 2,508.5
	-----
Expenses:	
Investment advisory fee (Note 4).....	165.9
Transfer and dividend disbursing agent fee.....	25.1
Directors' fees and expenses.....	23.7
Audit fees.....	15.2
Mailing expenses.....	14.0



Custodian fee and expenses.....	17.2
Printing.....	15.6
Legal fees.....	5.0
Miscellaneous.....	18.4
	-----
Total Expenses.....	300.1
	-----
Net Investment Income.....	2,208.4
	-----
REALIZED AND UNREALIZED LOSS ON INVESTMENTS:	
Net realized loss from investment transactions (Note 2).....	(53.0)
Net unrealized depreciation on investments.....	(1,435.1)
	-----
Net realized and unrealized loss on investments.....	(1,488.1)
	-----
Net increase in Net Assets resulting from operations.....	\$ 720.3
	=====

</TABLE>

The accompanying notes to financial statements are an integral part of this statement.

7

10

CIRCLE INCOME SHARES, INC.  
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 1999 AND 1998 (ALL AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	1999	1998
	----	----
	<C>	<C>
FROM INVESTMENT ACTIVITIES		
<S>		
OPERATIONS:		
Net investment income.....	\$ 2,208.4	\$ 2,334.9
Net realized loss from investment transactions (Note 2)...	(53.0)	(321.6)
Net unrealized (depreciation) appreciation of investments.....	(1,435.1)	740.2
	-----	-----
Net increase in Net Assets resulting from operations.....	720.3	2,753.5
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS:		
Dividends to shareholders from net investment income.....	(2,186.8)	(2,352.2)
Proceeds from the issuance of shares at net asset value pursuant to the Dividend Reinvestment Plan (0 shares, 1999, 6.1 shares, 1998).....	--	72.3
	-----	-----
Net decrease in Net Assets from distributions to shareholders.....	(2,186.8)	(2,279.9)
	-----	-----
Net (decrease) increase in Net Assets.....	(1,466.5)	473.6
	-----	-----
NET ASSETS:		
Beginning of Year.....	33,534.6	33,061.0
	-----	-----
End of Year.....	\$32,068.1	\$33,534.6
	=====	=====

</TABLE>

The accompanying notes to financial statements are an integral part of these

statements.

-----  
8

11

CIRCLE INCOME SHARES, INC.  
NOTES TO FINANCIAL STATEMENTS  
-----

FOR THE YEAR ENDED JUNE 30, 1999

NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES

Circle Income Shares, Inc. ("the Company") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management company. The Company's primary investment objective is to seek as high a level of current income as is consistent with prudent investment risk from a diversified portfolio principally of debt securities, with capital appreciation being a secondary investment objective. The Company primarily invests in Corporate and mortgage-backed fixed income securities, including some high yield, high risk fixed-income securities. The following is a summary of significant accounting policies consistently followed by the Company in the preparation of its financial statements.

SECURITIES VALUATION

Investments in securities traded on a national securities exchange are valued at the closing price on the last business day of the period; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price; short-term notes are stated at cost which approximates market value. Restricted securities and other securities for which market quotations are not readily available are valued at fair value as determined under procedures established by the Board of Directors.

INCOME TAXES

It is the Company's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income to the shareholders. Therefore, no provision for Federal income taxes is required.

SECURITIES TRANSACTIONS, RELATED INVESTMENT INCOME AND DISTRIBUTIONS

Securities transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses are determined on the basis of identified cost. Interest income is recorded on a daily basis and dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on ex-dividend date.

ESTIMATES

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 income and expenses during the reporting period. Actual results could differ from those estimates.

-----  
9

12

CIRCLE INCOME SHARES, INC.  
NOTES TO FINANCIAL STATEMENTS  
-----

(CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1999 (ALL AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

Distributions from net investment income and from net capital gains are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for mortgage-backed securities, expiring capital loss carryforwards, and deferrals of certain losses. Permanent book and tax basis differences have been reclassified among the components of net assets.

NOTE 2 -- CAPITAL LOSS CARRYFORWARD

During the fiscal year ended June 30, 1999, the Company realized net capital losses from security transactions in the amount of \$53.0. The total capital loss carryforward at June 30, 1999 is \$1,992.4. The capital loss carryforward expires as follows:

<TABLE>  
<CAPTION>

YEAR	AMOUNT	YEAR	AMOUNT
----	-----	----	-----
<S>	<C>	<C>	<C>
2000	\$819.7	2004	\$111.0
2001	\$ 63.5	2006	\$321.6
2003	\$623.6	2007	\$ 53.0

</TABLE>

NOTE 3 -- PURCHASES AND SALES OF SECURITIES

Purchases and sales of securities other than United States government obligations and short-term notes aggregated \$4,250.0 and \$1,479.5, respectively.

The identified cost of investments at June 30, 1999 was \$30,569.9. Cost for Federal tax purposes differs from value at June 30, 1999 by the net unrealized appreciation of securities as follows:

<TABLE>

<S>	<C>
Unrealized Appreciation	\$1,456.9
Unrealized Depreciation	(425.4)
	-----
NET UNREALIZED APPRECIATION	\$1,031.5
	=====

</TABLE>

NOTE 4 -- INVESTMENT ADVISORY FEE

For the year ended June 30, 1999, the Company paid fees of \$165.9, or 0.50% of average net assets for investment management services to Banc One Investment Advisors Corporation (the advisor). This fee is based on weekly net assets at the annual rate of one-half of one percent on the first \$50 million and four-tenths of one percent on the excess over \$50 million.

The advisory fee is subject to reduction in any year in which annual expenses (including the advisory fee, but excluding interest, taxes, brokerage fees, expenses of any future public offerings of the Company's shares and, where permitted, extraordinary expenses) exceed one and one-half percent of the average weekly net assets of the Company during the year to date. In addition, the advisor pays certain expenses in connection with the Dividend Reinvestment Plan of the Company. No other fees were received by the advisor from the Company.

SELECTED PER SHARE DATA OF COMMON STOCK OUTSTANDING THROUGHOUT EACH YEAR:

<TABLE>  
<CAPTION>

	YEAR ENDED JUNE 30,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of year.....	\$ 11.96	\$ 11.82	\$ 11.60	\$ 11.84	\$ 11.35
Net investment income.....	0.79	0.83	0.88	0.90	0.89
Net realized and unrealized gain (loss) on investments.....	(0.53)	0.15	0.21	(0.24)	0.50
Net increase in net asset value resulting from operations.....	0.26	0.98	1.09	0.66	1.39
Dividends to shareholders from net investment income.....	(0.78)	(0.84)	(0.87)	(0.90)	(0.90)
Net asset value, end of year.....	\$ 11.44	\$ 11.96	\$ 11.82	\$ 11.60	\$ 11.84
Market value per share, end of year.....	\$ 10.375	\$ 11.375	\$ 10.688	\$ 10.500	\$ 10.250
TOTAL INVESTMENT RETURN: (1)					
Based on market value per share.....	(2.12)%	14.60%	9.56%	11.15%	(4.99)%
Based on net asset value per share.....	2.15%	8.38%	9.69%	5.62%	11.45%
RATIOS TO AVERAGE NET ASSETS:					
Total expenses.....	0.90%	0.90%	0.89%	0.89%	0.93%
Net investment income.....	6.65%	6.97%	7.53%	8.05%	7.97%
SUPPLEMENTAL DATA:					
Net assets at end of period (\$000).....	\$32,068.1	\$33,534.6	\$33,061.0	\$32,451.7	\$33,114.5
Portfolio turnover rate.....	13.52%	27.63%	8.52%	17.75%	34.73%
Number of shares outstanding at end of period (000).....	2,803.5	2,803.5	2,797.4	2,797.4	2,797.4

</TABLE>

The accompanying notes to financial statements are an integral part of this schedule.

(1) Total investment return is a hypothetical rate of return to the shareholder which assumes that an initial investment is made at the appropriate rate (market value or net asset value) calculated on the last business day before the first day of each fiscal year. All related dividends during the year are reinvested at the appropriate rate (market value or net asset value), and the entire investment is liquidated at the appropriate price last calculated on the last business day of each fiscal year. The total return is calculated by dividing the ending value of the investment by the beginning value of the investment. Total investment return excludes the effects of any commissions.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND  
THE BOARD OF DIRECTORS OF  
CIRCLE INCOME SHARES, INC.:

We have audited the accompanying statement of assets and liabilities of CIRCLE INCOME SHARES, INC. (an Indiana Corporation), including the schedule of portfolio investments, as of June 30, 1999, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights 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 and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1999, by correspondence with the custodian and sub-custodians. 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 and financial highlights referred to above present fairly, in all material respects, the financial position of Circle Income Shares, Inc. as of June 30, 1999, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Columbus, Ohio  
July 19, 1999

-----  
12

15

DESCRIPTION OF THE DIVIDEND REINVESTMENT PLAN (UNAUDITED)  
-----

For shareholders who elect to participate in the Plan, all dividends, including any distributions of capital gain, are automatically invested in additional shares of the Common Stock of the Company. The Plan does not include a provision for the investment of additional cash contributions by participants.

An independent broker acts as the Dividend Reinvestment Plan Agent (the "Plan Agent") for all shareholders who elect to participate in the Plan. Harris Trust and Savings Bank acts as the Accounting Agent (the "Accounting Agent") and keeps the books and records for all shareholders who elect to participate in the Plan. All inquiries regarding the Plan should be sent to the Accounting Agent at the following address:

Harris Trust and Savings Bank  
Shareholder Services Division  
Attn: Circle Income Shares, Inc. Dividend Reinvestment Plan  
311 West Monroe, 14th Floor  
Chicago, Illinois 60606

Each registered shareholder is assigned an account number. This account number should be used in all correspondence with either Agent.

Dividends are reinvested by the Plan Agent by either (a) directing the Company to pay the dividend in cash and using the cash to buy shares in the open

market, or (b) directing the Company to pay the dividend in new shares issued at net asset value. To determine which method is used, the Plan Agent compares the net asset value per share to the market price per share of the Company's common stock at the close of business five trading days before the dividend payment date. For purposes of this comparison, the Plan Agent uses the closing price plus estimated brokerage commissions, as the market price per share.

If the net asset value is lower than the market price, the Plan Agent elects, on behalf of all participating shareholders, to take the dividend in stock and additional shares are issued by the Company and credited to the participant's account at net asset value.

If the market price is lower than the net asset value, the Plan Agent elects, on the participating shareholder's behalf, to take the dividend in cash. The Plan Agent will aggregate the dividends of all participants and apply the dividends to the purchase of the Company's stock in the open market. The cost of the stock credited to each participating shareholder's account, if this method is used, will include the participant's proportion of any brokerage commissions and transfer taxes which the Plan Agent pays to purchase the shares in the open market. The Accounting Agent computes the average price of all shares purchased (including any brokerage commission and transfer taxes), and credits shares to each participating shareholder's account on the basis of this average price. Shares purchased by the Plan Agent in the open market are acquired consistent with a policy of best price and execution.

Regardless of the method used by the Plan Agent to reinvest dividends, once a shareholder elects to participate in the Plan, the shares credited to the shareholder's "open account" will earn dividends, and the "open account" will also be automatically reinvested. Since dividends will seldom, if ever, be in an amount sufficient to acquire an exact number of full shares, a participating shareholder's reinvestment

will normally include a fractional share (computed to three decimal places). These fractional shares will also earn proportional dividends as full shares do.

After each dividend payment, all participating shareholders will receive current statements of their accounts. These statements include information for personal and tax records, and should be permanently retained.

There are no fees or other direct charges, except as noted in the above, to participate in the Plan. Certain costs of providing the Plan are paid by the Company's Investment Advisor, except for costs of registration under applicable securities laws, if it is determined at a later date that registration is necessary. The Plan may be amended to provide for direct charge in the future.

To begin participation in the Plan, a shareholder must sign and return, to the Accounting Agent at the address given above, an authorization card which appoints the Plan Agent as the shareholder's Agent for participation. An authorization card may be obtained from the Accounting Agent at the address given above or by calling the Accounting Agent at (312) 461-7763. Participation will begin with the next dividend payable after the Accounting Agent actually receives the authorization card, provided that the authorization card is received 15 days prior to the record date for that dividend. Otherwise, the shareholder will receive the dividend in the usual manner, and participation will begin with the next following dividend. Historically, record dates have normally preceded payment dates by approximately two weeks.

Once a shareholder begins participation in the Plan, dividends are automatically reinvested until participation is terminated. Additional shares which are subsequently registered in a shareholder's identical name, address and

account will also participate in the Plan.

The Accounting Agent maintains an "open account" for each participant in the Plan and credits shares acquired through the Plan to it. Certificates are not issued for shareholders whose shares are held in an "open account." A shareholder may withdraw at any time some or all of the full shares held in the "open account" by sending a written request to the Accounting Agent at the address given above. Requesting a certificate for any or all of the full shares does not terminate participation in the Plan. Certificates for fractional shares will not be issued.

A shareholder's stock certificates may be surrendered to the Accounting Agent and shares will be credited to the shareholder's "open account" and held by the Accounting Agent in uncertified form.

A shareholder may terminate participation in the Plan at any time and receive future dividends in cash by sending a written notice to the Accounting Agent. Participation will end and the shareholder will receive future dividends in cash, provided that the Accounting Agent receives the notice 15 days prior to the record date for that dividend. Otherwise, that dividend will be reinvested and cash payments will begin the next following dividend.

When a shareholder terminates participation in the Plan, the shareholder's "open account" will contain a fractional share balance, and, if the shareholder has been a participant for a sufficient amount of time, will probably contain a full share balance. At the time participation in the Plan is terminated, the Accounting Agent will withdraw the full shares then credited to the shareholder's "open account." This value will be based on the closing price of the Company's stock in the open market on the effective

-----  
date of the termination of participation. Any fractional shares will be redeemed in cash. There is no penalty or charge for withdrawal from the Plan. A shareholder may rejoin the Plan at any time.

The Plan may be amended or terminated at any time only if notice of the amendment or termination has been sent to participants of the Plan. A notice would be sent to participants at least thirty days before the record date of the first dividend affected by the amendment or termination.

The taxability of a shareholder's dividends for Federal income tax purposes is controlled by Federal tax law and not by the Plan. However, dividends reinvested through the Plan continue to be taxable for Federal income tax purposes.

If the Plan Agent reinvests a shareholder's dividend by purchasing shares in the open market, the dividend is taxable just as if the shareholder received it in cash. If the Plan Agent reinvests the dividend by taking stock issued by the Company at net asset value, then, for Federal income tax purposes, the dividend is considered to be the greater of the net asset value reinvestment price or the fair market value (the closing price in the open market) on the payment date; therefore, a participating shareholder's taxable dividend may be greater than if the shareholder received the dividend in cash.

DIRECTORS

DR. FREDERICK R. FORD, Executive Vice President and Treasurer Emeritus  
Purdue University  
BRUCE J. GLOR, Executive Vice President  
Bank One, Indiana, NA  
CHARLES E. GREER, Esquire  
STEVEN R. HAZELBAKER, Vice President, CFO and Treasurer  
Meridian Mutual Insurance Company  
JAMES D. KECKLEY, Retired Executive Vice President  
Bank One, Indiana, NA  
E. LYNN PLASTER, Retired Executive Vice President  
Bank One, Indiana, NA

OFFICERS

BRUCE J. GLOR, President  
JEFFREY W. FOUNTAIN, CFA, Executive Vice President and Chief Investment Officer  
TIMOTHY P. HOLIHEN, CFA, Vice President  
THOMAS F. WILSON, Ph.D., Vice President  
ROBERT L. YOUNG, Treasurer  
JACQUELINE A. WEITZ, Secretary

---

INVESTMENT ADVISOR

Banc One Investment Advisors Corporation  
1111 Polaris Parkway, OH1-0211  
P.O. Box 710211  
Columbus, OH 43271-0211

CUSTODIAN

Bank One Trust Company, NA  
100 East Broad Street, OH1-0193  
Columbus, OH 43271-0193

TRANSFER & DIVIDEND

DISBURSING AGENT

Harris Trust and Savings Bank  
Shareholder Services Division  
311 West Monroe Street, 14th Floor  
Chicago, IL 60606

SHAREHOLDER INQUIRIES

Harris Trust and Savings Bank  
Shareholder Services Division  
311 West Monroe Street, 14th Floor  
Chicago, IL 60606  
Telephone (312) 461-7763

AUDITORS

ARTHUR ANDERSEN LLP  
Huntington Center, Suite 2100  
41 South High Street  
Columbus, OH 43215-6150

COMPANY ADDRESS

P.O. Box 77004  
Indianapolis, IN 46277-7004  
Telephone (317) 321-8180