U.S. Central Capital Markets, Inc.

(A Wholly Owned Subsidiary of U.S. Central Credit Union)

SEC I.D. No. 8-50400

Statement of Financial Condition as of December 31, 1998 and Independent Auditors' Report and Supplemental Report on Internal Control
Filed Pursuant to Rule 17a-5(e)(3) as a PUBLIC DOCUMENT.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
U.S. Central Capital Markets, Inc.
Overland Park, Kansas

We have audited the accompanying statement of financial condition of U.S. Central Capital Markets, Inc. (the Company) (a wholly owned subsidiary of U.S. Central Credit Union) as of December 31, 1998, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of the Company as of December 31, 1998, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

February 9, 1999

U.S. CENTRAL CAPITAL MARKETS, INC.
(A Wholly Owned Subsidiary of U.S. Central Credit Union)

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 1998

ASSETS

CASH AND CASH EQUIVALENTS	$1,274,730
RECEIVABLES:	
Customers	3,250
Accrued interest and other	177,994
Total receivables	181,244
SECURITIES OWNED, at fair value	3,011,094
DEFERRED INCOME TAXES	7,600
OTHER ASSETS	15,171
TOTAL ASSETS	$4,489,839

LIABILITIES AND STOCKHOLDER’S EQUITY

LIABILITIES:	
Accounts payable and accrued expenses	$ 158,925
Due to affiliates	110,346
Income taxes payable, net	8,400
Total liabilities	277,671
STOCKHOLDER’S EQUITY:	
Common stock, no par value, 2,000 shares authorized, 800 shares issued and outstanding	4,066,909
Retained earnings	145,259
Total stockholder’s equity	4,212,168
TOTAL LIABILITIES AND STOCKHOLDER’S EQUITY	$4,489,839

See accompanying notes to financial statement.

U.S. CENTRAL CAPITAL MARKETS, INC.
(A Wholly Owned Subsidiary of U.S. Central Credit Union)

NOTES TO STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 1998

1. NATURE OF ORGANIZATION

U.S. Central Capital Markets, Inc. (CMI or the Company) is registered with the Securities and Exchange Commission as a securities broker and dealer under the Securities Exchange Act of 1934 and is also a registered investment adviser with the State of Kansas. The Company is a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation.

CMI was incorporated in Kansas on December 21, 1988 and is a wholly owned subsidiary of U.S. Central Credit Union (U.S. Central). Until October 21, 1997, CMI was the holding company for Corporate Network Brokerage Service, Inc. (CNBS), a registered securities broker and dealer and investment adviser providing fixed income brokerage and non-discretionary investment advisory services to credit unions and corporate credit unions. Effective October 22, 1997, CMI declared a dividend which transferred 100% ownership of CNBS to U.S. Central based on the net book value of CNBS on that date, which approximated fair value. U.S. Central then recapitalized CMI with a $3.8 million capital contribution in November of 1997. Effective January 1, 1998, U.S. Central transferred ownership of CNBS to its corporate credit union members. A non-compete agreement between CMI and CNBS, effective January 1, 1998, specifies that CMI can provide services only to corporate credit unions and CNBS can provide services only to natural person credit unions. In order to provide these services to corporate credit unions, CMI became a registered securities broker and dealer and investment adviser. Prior to its registration, CMI had no significant operating activity other than that associated with its ownership of CNBS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the financial statements of the Company. These accounting policies conform with generally accepted accounting principles and reflect practices appropriate to the industry in which the Company operates.

Use of Estimates **-** The preparation of the 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 as well as the disclosure of the amounts 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.

Cash and Cash Equivalents **-** For purposes of the statement of cash flows, the Company considers cash and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

***Securities Transactions* -** The Company promptly forwards all funds and securities received and does not otherwise hold funds or securities for, or owe money or securities to, customers. Securities transactions of customers are recorded on a settlement date basis, generally within three business days after trade date, with related transaction revenue recorded on a trade date basis. Securities transactions executed for the Company are recorded on a trade date basis. In certain cases, another broker and dealer or customer will fail to deliver securities to the Company and, as a result, the Company will fail to deliver securities to the counter party to the transaction. The Company promptly forwards securities upon receipt and will settle cash when the security is delivered.

As of December 31, 1998, securities owned consisted of highly rated asset-backed securities which were valued at fair value based on quoted market prices for those or similar securities. Unrealized gains and losses are included in net investment income.

***Transaction, Investment Advisory and Shared Service Revenues* -** Transaction, investment advisory and shared service revenues are recognized when earned.

***Income Taxes* -** The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income taxes are determined based on the difference between the financial statement and the tax bases of assets and liabilities using enacted rates. The deferred tax benefit recognized in the statement of income, represents the change in the deferred tax asset balance. The Company files Federal and state income tax returns on a separate company basis.

3. RELATED PARTY TRANSACTIONS

In a Master Service Agreement dated January 1, 1998 and amended April 1, 1998, the Company was appointed as agent and adviser to U.S. Central. In the capacity as agent, the Company was authorized and appointed to affect sales of financial instruments or products issued or provided by U.S. Central, including but not limited to U.S. Central shares and share certificates and such other financial instruments or products U.S. Central may offer. In the capacity as adviser, the Company provides advice to U.S. Central with respect to new product development, structuring of financial products and services and customer support. The fees for providing these services are negotiated with U.S. Central and do not necessarily represent the fees which would have been obtained from a third party.

U.S. Central provides various support services for the Company including securities safekeeping and settlement, accounting, personnel administration and data processing services. The fees for providing these services are negotiated with U.S. Central and do not necessarily represent the cost of the services had they been obtained from a third party.

As of December 31, 1998, customer receivables included $3,250 from U.S. Central members for investment advisory services.

Substantially all cash is held in accounts at U.S. Central.

As discussed further in Note 8, the Company has a line-of-credit agreement and a master repurchase agreement with U.S. Central.

4. INCOME TAXES

Deferred income taxes are recorded on temporary differences between the amount of assets and liabilities recognized for financial reporting and such amounts recognized for tax purposes. The principal temporary difference results from the timing of accrual of vacation and sick leave and for the methods for depreciating fixed assets.

5. NET CAPITAL REQUIREMENTS

The Company is required to maintain minimum net capital as defined by Rule 15c3-1 under the Securities Exchange Act of 1934. Rule 15c3-1 requires minimum net capital to be the greater of $100,000 or 12 ½ percent of aggregate indebtedness. As of December 31, 1998, the Company had net capital, as defined, of $2,122,082, which exceeded the minimum requirement of $100,000 by $2,022,082. Also, the ratio of aggregate indebtedness to net capital for the Company may not exceed 8:1 in the Company's first year of operations. Beginning in January of 1999, this ratio increases to 15:1. As of December 31, 1998, the ratio of aggregate indebtedness to net capital for the Company was 0.13:1.

6. BENEFIT PLANS

U.S. Central sponsors two defined contribution plans in which employees of the Company may elect to participate. Under the terms of the first plan, participants are eligible to participate in the plan immediately and may elect to contribute a percentage of their salary to the plan. After the participant completes one year of service, the Company matches 50 percent of the participant contribution, up to six percent of the salary of the participant. The employer matching contributions vest immediately.

Under the terms of the second defined contribution plan, the Company contributes five percent of participants' salaries. Employees are eligible to participate after completing one year of service and vest in employer contributions over a four year period.

7. BUSINESS RISK AND CONCENTRATIONS

In the normal course of business, the Company acts in the capacity of principal in executing and settling securities transactions. Business risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of settlement. The Company has control procedures regarding securities transactions with counterparties and the manner in which they are settled. The settlement of open transactions as of December 31, 1998 is not expected to have a material adverse effect on the financial statements of the Company.

As of December 31, 1998, the Company provided its transaction and advisory services solely to corporate credit unions throughout the United States.

8. COMMITMENTS

As a source of liquidity, the Company has entered into an arrangement with U.S. Central whereby U.S. Central may extend credit to the Company in an amount up to $45 million. All advances under this agreement shall be secured by assets controlled by the Company, bear a rate of interest as determined by U.S. Central and, unless otherwise requested by the Company, be for a period of one day. As of December 31, 1998, there were no amounts outstanding under this facility.

As an additional source of liquidity, the Company has entered into a Master Repurchase Agreement with U.S. Central whereby the Company may sell securities to U.S. Central under an agreement to repurchase the same securities at a later date. As of December 31, 1998, no amounts were outstanding.

9. NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*". This standard requires entities to recognize all derivatives as either assets or liabilities in their financial statements and to measure such instruments at their fair value. This Statement is effective for the Company's financial statements for the fiscal year beginning January 1, 2000. The Company is in the process of evaluating the potential impact of the new Statement.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
  U.S. Central Capital Markets, Inc.
Overland Park, Kansas

In planning and performing our audit of the financial statements of U.S. Central Capital Markets, Inc. (the Company) (a wholly owned subsidiary of U.S. Central Credit Union) for the year ended December 31, 1998 (on which we issued our report dated February 9, 1999), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; and (3) for determining compliance with the exemptive provisions of Rule 15c3-3.

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

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 1998, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specific parties.

Yours truly,

Deloitte & Touche LLP

February 9, 1999