

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090181045-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Continental Investors Services, Inc., Respondent
Broker-Dealer
CRD No. 29775

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Continental Investors Services, Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since April 21, 1992, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Review No. 20090181045, the Fixed Income Investigations Team staff of the Department of Market Regulation ("staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rules applicable to the firm's pricing of municipal securities transactions during the review period of Oct. 1, 2008 through December 31, 2008 (the "review period").

In connection with Review No. 20090181045,

1. During the review period, in nine transactions, the firm sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, concerning fair pricing for municipal securities transactions. Specifically, the firm's supervisory system did not include written supervisory procedures providing for a sufficient statement of the supervisory step(s) to be taken by the identified person(s) responsible for ensuring compliance with the rule. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

B. The firm also consents to the imposition of the following sanctions:

A censure, a fine of \$35,000 (consisting of \$30,000 for the pricing violations, and \$5,000 for the supervisory finding), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 above.

In addition, within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written

supervisory procedures to address the deficiencies described in paragraph I.A.2; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

6-20-11
Date

Respondent
Continental Investors Services, Inc.

By: [Signature]

Name: MAX B. KAMP

Title: Pres

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

8/14/11
Date

Signed on behalf of the
Director of ODA, by delegated authority

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Continental Investors Services, Inc. ("CONT")

Review # 20090181045

Review Period: October 1, 2008 through December 31, 2008

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution**
1	10/10/2008	591745D84	METROPOLITAN ATLANTA RAPID REF	40	C (B)	12:04:44	97.555	CONT	\$2,815.20
2	10/13/2008	591745D84	METROPOLITAN ATLANTA RAPID REF	15	C (B)	12:59:31	97.787	CONT	\$1,090.50
3	10/14/2008	591745D84	METROPOLITAN ATLANTA RAPID REF	15	C (B)	14:12:18	97.08	CONT	\$1,343.17
4	10/15/2008	591745D84	METROPOLITAN ATLANTA RAPID REF	25	C (B)	12:32:02	96.402	CONT	\$2,731.50
5	10/15/2008	494782JP1	KING CNTY WASH PUB HOSP DIST REF	60	C (B)	12:29:22	98.453	CONT	\$5,383.80
6	10/15/2008	494782JP1	KING CNTY WASH PUB HOSP DIST REF	5	C (B)	10:35:52	99.125	CONT	\$482.25
7	11/10/2008	735000DU2	PORT OAKLAND CALIF REV AMT	10	C (B)	14:58:44	79.416	CONT	\$121.60
8	11/11/2008	735000DU2	PORT OAKLAND CALIF REV AMT	10	C (B)	10:59:42	79.416	CONT	\$121.60
9	12/04/2008	735000DU2	PORT OAKLAND CALIF REV AMT	5	C (B)	11:57:11	79.239	CONT	\$557.95

*Contra parties are identified as follows: B-D (S) Indicates another Broker-Dealer selling to the firm; B-D (B) Indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

**The firm already has paid restitution to the affected customers, plus interest.



1330 Broadway, Longview, WA 98632
P.O. Box 888 (360) 423-5110 (360) 423-6311 FAX

June 20, 2011

Dawn Faris
FINRA Market Regulation
9509 Key West Avenue
Rockville, Maryland 20850-3329

Re: STAR No. 20090181045

Corrective Action Statement

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

Continental Investors Services (CIS) has been a FINRA Member firm in good standing since its inception in April of 1992. Since its inception, Continental has been audited by FINRA on a bi-annual basis with no prior findings related to the pricing of Municipal Securities leading the firm to understand its Municipal Pricing policies and procedures were adequate.

FINRA STAR No. 20090181045 was the first time CIS was ever made aware a regulatory agency took issue with its Municipal pricing policies and CIS is eager to implement FINRA approved recommended changes. At CIS's inception as a new member firm Max Kamp was the firm's Chief Compliance Officer and had responsibility to approve all Municipal transactions at the firm. During the past sixteen years CIS has grown to 30 registered representatives who execute approximately 8,800 transactions per year.

In order to provide closer supervision of its Municipal Trading business CIS is licensing one new Series 24 and 53 Supervisory person within its firm. Michelle Elo will take over the role as CCO upon completing the 24 and 53.

Revised Municipal Pricing and Supervisory procedures were submitted to FINRA on June 20, 2011 which explain the new process in detail.

Sincerely,

A handwritten signature in black ink, appearing to read 'Max B. Kamp', with a stylized flourish at the end.

Max B. Kamp
President/CEO