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SECURITIES

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Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden hours per response... 12.00

SEC FILE NUMBER
8-44523

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
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 07/01/06 AND ENDING 06/30/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Continental Investors Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1330 Broadway Street

(No. and Street)

Longview

(City)

WA

(State)

98632

(Zip Code)

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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CF & Co., L.L.P.

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

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

CHECK ONE:

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

PROCESSED
SEP 06 2007
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)

[Handwritten signature]

OATH OR AFFIRMATION

I, Max B. Kamp, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Continental Investors Services, Inc., as of June 30, 2007, 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:

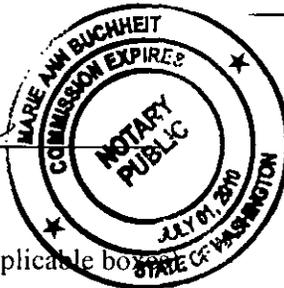


Signature

President

Title

Marie Ann Buchheit
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 Cash Flows
- (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.
- (o) Independent auditor's report on internal control

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

CONTINENTAL INVESTORS SERVICES, INC.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED

JUNE 30, 2007

CONTINENTAL INVESTORS SERVICES, INC.

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CF & Co., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Continental Investors Services, Inc.

We have audited the accompanying statement of financial condition of Continental Investors Services, Inc., as of June 30, 2007, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Continental Investors Services, Inc., as of June 30, 2007 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CF & Co., L.L.P.
CF & Co., L.L.P.

Dallas, Texas
August 7, 2007

CONTINENTAL INVESTORS SERVICES, INC.

Statement of Financial Condition

June 30, 2007

ASSETS

Cash	\$ 189,361
Receivable from broker-dealers and clearing organizations	1,967,005
Securities owned at market value	2,468,393
Federal income taxes receivable	66,880
Furniture and equipment at cost, less accumulated depreciation of \$81,408	239
Other assets	<u>190</u>
	<u>\$4,692,068</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Accounts payable and accrued expenses	\$ 76,128
Payable to broker-dealers and clearing organizations	<u>2,514,676</u>
	<u>2,590,804</u>
Stockholders' equity	
Common stock - no par value, 200,000 shares authorized, 71,401 issued and 39,981 outstanding	691,570
Treasury stock, 31,420 shares, at cost	(731,903)
Retained earnings	<u>2,141,597</u>
Total stockholders' equity	<u>2,101,264</u>
	<u>\$4,692,068</u>

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

CONTINENTAL INVESTORS SERVICES, INC.

Statement of Income

For the Year Ended June 30, 2007

Revenues	
Securities commissions	\$2,455,668
Sale of investment company shares	733,492
Gains or (losses) on firm securities trading accounts	40,537
Interest income	<u>375,525</u>
	<u>3,605,222</u>
Expenses	
Commissions	2,260,571
Employee compensation and benefits	419,333
Commissions and clearance paid to all other brokers	182,580
Communications	81,256
Losses in error account and bad debts	2,067
Occupancy and equipment costs	69,962
Promotional expenses	53,692
Interest expense	153,681
Regulatory fees and expenses	18,902
Other expenses	<u>23,411</u>
	<u>3,265,455</u>
Net income before taxes	339,767
Federal income tax benefit (expense)	<u>37,531</u>
Net income	<u>\$ 377,298</u>

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

CONTINENTAL INVESTORS SERVICES, INC.
Statement of Changes in Stockholders' Equity
For the Year Ended June 30, 2007

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amounts</u>		
Balances at June 30, 2006	65,161	\$ 380,070	31,420	\$ (731,903)	\$ 2,243,534	\$ 1,891,701
Exercise of stock options	6,240	311,500			(479,235)	(167,735)
Net income					<u>377,298</u>	<u>377,298</u>
Balances at June 30, 2007	<u>71,401</u>	<u>\$ 691,570</u>	<u>31,420</u>	<u>\$ (731,903)</u>	<u>\$ 2,141,597</u>	<u>\$ 2,101,264</u>

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

CONTINENTAL INVESTORS SERVICES, INC.
Statement of Changes in Liabilities Subordinated
to Claims of General Creditors
For the Year Ended June 30, 2007

Balance at June 30, 2006	\$ -0-
Increases	-0-
Decreases	<u>-0-</u>
Balance at June 30, 2007	<u>\$ -0-</u>

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

CONTINENTAL INVESTORS SERVICES, INC.

Statement of Cash Flows

For the Year Ended June 30, 2007

Cash flows from operating activities

Net income	\$ 377,298
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase in receivable from broker-dealers and clearing organizations	(350,243)
Increase in securities owned at market value	(639,598)
Increase in Federal income taxes receivable	(66,880)
Increase in accounts payable and accrued expenses	12,037
Increase in payable to broker-dealers and clearing organizations	778,597
Decrease in securities owned not yet purchased	(10,686)
Decrease in Federal income taxes payable	<u>(8,225)</u>
Net cash provided (used) by operating activities	<u>92,300</u>

Cash flows from investing activities

Net cash provided (used) by investing activities	<u>-0-</u>
--	------------

Cash flows from financing activities

Exercise of stock options	<u>(167,735)</u>
Net cash provided (used) by financing activities	<u>(167,735)</u>
Net decrease in cash	(75,435)
Cash at beginning of year	<u>264,796</u>
Cash at end of year	<u>\$ 189,361</u>

Supplemental disclosures of cash flow information

Cash paid for:	
Interest	<u>\$ 153,681</u>
Income taxes	<u>\$ 29,280</u>

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

CONTINENTAL INVESTORS SERVICES, INC.
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

Continental Investors Services, Inc. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD"). The Company is a Washington state corporation. The Company renders broker-dealer services in principally debt related securities both as agent and principal to its customers. The Company operates under (SEC) Rule 15c3-3(k)(2)(ii), which provides that all funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. The Company's customers are located throughout the United States.

Security transactions (and related commission revenue and expense) are recorded on a trade date basis.

Marketable securities owned and securities sold but not yet purchased are recorded at quoted market value. Securities and investments which are not readily marketable are carried at fair value as determined by management of the Company. Unrealized gains and losses are credited or charged to operations. The Company's securities are being held by the clearing broker-dealer. Should the clearing broker-dealer fail to deliver securities to the Company, the Company may be required to purchase identical securities on the open market.

Securities sold but not yet purchased represent an obligation of the Company to deliver specified equity securities at a predetermined price. The Company is obligated to acquire the securities at prevalent market prices in the future to satisfy this obligation.

Advertising costs are expensed as incurred. Total advertising expense for the year ended June 30, 2007 was \$1,113 and is reflected in promotional costs.

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. The provision for federal income taxes differs from the expected amount using statutory rates because certain expenses included in the determination of net income are nondeductible for tax reporting purposes.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

CONTINENTAL INVESTORS SERVICES, INC.
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies, continued

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

Furniture and equipment is recorded at cost. Depreciation is recorded using an accelerated method over the useful lives of the assets.

Treasury stock is accounted for using the cost method.

The Company has a share-based director, officer and employee compensation plan. Prior to 2006, the Company accounted for the plan under the recognition and measurement provisions (minimum value method) of APB Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations. Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statements of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Compensation ("SFAS 123R"), which requires employee and qualifying director shares-based payments to be accounted for using the fair value method. The fair value of the Company's stock options is based on the value of the Company's common stock, as determined by management, on the date of grant. Share-based compensation costs related to equity instruments are charged against income ratably over the fixed vesting period for the related equity instruments. The adoption of this standard resulted in no additional share-based compensation expense.

Under the prospective transition method of SFAS 123R, no compensation costs are recorded that relate to any non-vested portion of stock option awards outstanding at the adoption date that were accounted for under the minimum value method.

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At June 30, 2007, the Company had net capital of approximately \$1,850,465 and net capital requirements of \$250,000. The Company's ratio of aggregate indebtedness to net capital was .04 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

CONTINENTAL INVESTORS SERVICES, INC.
Notes to Financial Statements
June 30, 2007

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 4 - Securities Owned

Securities owned represent trading and investment securities at quoted market values, and at June 30, 2007 consist of the following:

Government Securities	\$ 189,298
Corporate bonds	896,066
Municipal bonds	<u>1,383,029</u>
	<u>\$ 2,468,393</u>

Note 5 - Share-based Compensation

The Company grants options to key employees to purchase shares of its common stock. Options generally vest over one to four years, and currently expire no later than ten years from the date of grant.

A summary of option transactions during the year ended June 30, 2007 is shown below:

	<u>Number Of Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at June 30, 2006	24,500	\$ 15.23
Granted	-0-	-0-
Exercised	23,500	14.82
Canceled	<u>-0-</u>	-0-
Outstanding at June 30, 2007	<u>1,000</u>	\$ 25.00
Exercisable at June 30, 2007	<u>1,000</u>	\$ 25.00

CONTINENTAL INVESTORS SERVICES, INC.
Notes to Financial Statements
June 30, 2007

Note 5 - Share-based Compensation, continued

The following table summarizes information about officer and employee options outstanding at June 30, 2007:

<u>Exercise Price</u>	<u>Number of Options Outstanding</u>	<u>Weighted-Average Remaining Contractual Life of Options Outstanding</u>	<u>Number of Options Exercisable</u>
25.00	<u>1,000</u>	3.00 years	<u>1,000</u>

If the option holders' employment is terminated, any unvested portion of the options will expire.

The total intrinsic value of options exercised for the year ending June 30, 2007 was \$479,235. The aggregate intrinsic value of options outstanding at June 30, 2007 was \$26,275. The total compensation cost related to non-vested stock options to be recognized in the future is zero. The Company realized a tax benefit of approximately \$162,900 from the intrinsic value of certain stock options exercised during the year ended June 30, 2007.

Note 6 - Related Party Transactions

The Company's office building is leased from an officer of the Company. Rent paid under this lease for the year ended June 30, 2007 was \$29,400 and is included in occupancy and equipment costs.

Note 7 - Concentration Risk

At June 30, 2007 and other various times during the year, the Company had cash balances in excess of federally insured limits of \$100,000.

Note 8 - Payable to Clearing Broker

The payable to clearing broker represents the amount due for unsettled trading securities owned. Interest is charged on this payable at the prevailing margin rate, which was 9.10% at June 30, 2007.

CONTINENTAL INVESTORS SERVICES, INC.

Notes to Financial Statements

June 30, 2007

Note 9 - Commitment and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At June 30, 2007, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 10 - Pension Plans

The Company has a SAR-SEP pension plan covering substantially all employees. The Company may contribute amounts as determined by the Board of Directors. The Company made contributions totaling \$15,191 during the year ended June 30, 2007.

Note 11- Income Taxes

The following table reconciles the current period Federal Income Tax benefit:

Federal income tax expense on current period earnings	\$ (125,369)
Federal income tax benefit from exercise of stock option	<u>162,900</u>
Federal income tax benefit	<u>\$ 37,531</u>

Supplemental Information
Pursuant to Rule 17a-5
of the Securities Exchange Act of 1934
as of
June 30, 2007

Schedule I

CONTINENTAL INVESTORS SERVICES, INC.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission

As of June 30, 2007

COMPUTATION OF NET CAPITAL

Total stockholders' equity qualified for net capital	\$2,101,264
Add: Other deductions or allowable credits	<u>-0-</u>
Total capital and allowable subordinated liabilities	2,101,264
Deduction and/or charges:	
Non allowable assets:	
Federal income taxes receivable	(66,880)
Furniture and equipment	(239)
Other assets	<u>(190)</u>
Net capital before haircuts on securities positions	2,033,955
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):	
Government Securities	(11,358)
Exempt securities	(110,167)
Debt securities	<u>(61,965)</u>
Net capital	<u>\$1,850,465</u>
AGGREGATE INDEBTEDNESS	
Accounts payable and accrued expenses	<u>\$ 76,128</u>
Total aggregate indebtedness	<u>\$ 76,128</u>

Schedule I (continued)

CONTINENTAL INVESTORS SERVICES, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of June 30, 2007

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 5,078</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 250,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 250,000</u>
Net capital in excess of required minimum	<u>\$1,600,465</u>
Excess net capital at 1000%	<u>\$1,842,852</u>
Ratio: Aggregate indebtedness to net capital	<u>.04 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

The following serves to reconcile the differences in the computation of net capital under Rule 15c3-1 from the Company's computation.

Net capital, as reported in the Company's Part II (unaudited) FOCUS report	\$1,637,516
Differences due to adjustments for:	
Decrease in cash	(4,655)
Decrease in federal income taxes payable	125,265
Decrease in haircuts on securities	<u>92,339</u>
Net capital per audited report	<u>\$1,850,465</u>

Schedule II

CONTINENTAL INVESTORS SERVICES, INC.
Computation for Determination of Reserve Requirements Under
Rule 15c3-3 of the Securities and Exchange Commission
As of June 30, 2007

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

For the Year Ended

June 30, 2007



CF & Co., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors
Continental Investors Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Continental Investors Services, Inc., (the "Company"), for the year ended June 30, 2007, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

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 judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's 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 use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles

generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in 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 the specific internal control components does not reduce to a relatively low level the risk that 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 internal control, 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 SEC 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 at June 30, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., 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 specified parties.



CF & Co., L.L.P.

Dallas, Texas
August 7, 2007

END