

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

**IN THE MATTER OF: FROST BROKERAGE
SERVICES, INC.**

FILE NO. 0400530

NOTICE OF HEARING

TO THE RESPONDENT:

Frost Brokerage Services, Inc.
(B/D #: 17465)
100 W. Houston Street
San Antonio, Texas 78299

C/o Donald S. Weiss
Attorney at Law
Bell, Boyd & Lloyd LLC
70 West Madison Street
Suite 3100
Chicago, Illinois 60602

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 23rd day of February, 2005, at the hour of 10:00 a.m., or soon as possible thereafter, before James G. Athas, Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered which would deny Frost Brokerage Services, Inc's (the "Respondent"), registration as a dealer in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

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1. On August 3, 2004 the Respondent filed a Form U-4 application for registration as a dealer in the State of Illinois.
2. On November 3, 2004, a Summary Order of Denial (the "Order") was issued by the Secretary of State denying this application. Pursuant to the terms of the Order, the Respondent requested a hearing on November 24, 2004.
3. The Respondent is a corporation which engages in the business of acting as a dealer in the offer and sale of securities to the general public.
4. From April, 1996 through April, 1997, the Respondent effected an aggregate of ten (10) transactions regarding five (5) accounts held by separate Illinois residents.
5. Section 8.A of the Act provides, in pertinent part, except as otherwise provided, every dealer shall be registered as such with the Secretary of State.
6. The activity described in paragraph two (2) above constitutes the activity of a dealer as defined in Section 2.7 of the Act.
7. During all relevant times, the Respondent was not registered with the Secretary of State as a dealer pursuant to Section 8 of the Act.
8. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the provisions of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
9. Section 12.C of the Act provides, *inter alia*, that it is a violation of the provisions of the Act for any person to act as a dealer, unless registered as such where such registration is required under the provisions of the Act.
10. By virtue of the foregoing, the Respondent has committed a violation of Sections 12.A and 12.C of the Act.
11. Section 8.E(1)(g) of the Act provides that the registration of a dealer may be denied if it has violated any of the provisions of the Act.
12. By virtue of the foregoing, the Respondent's registration as a dealer in the State of Illinois is subject to denial pursuant to Section 8.E(1)(g) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130)(the "Rules"), to file an answer to the

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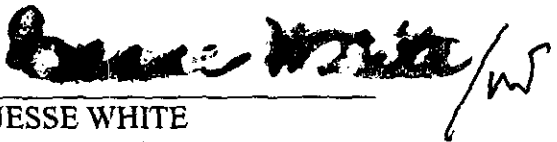
allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of notice the designated representative of any Respondent constitutes service upon such Respondent.

DATED: This 7th day of January 2005.



JESSE WHITE
Secretary of State
State of Illinois

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