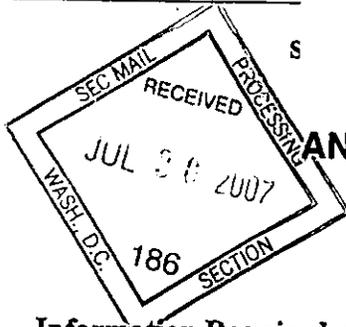




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MISSION



OMB APPROVAL	
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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 06/01/06 AND ENDING 05/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Frost Brokerage Services, Inc.

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

OFFICIAL USE ONLY
FIRM I.D. NO.

San Antonio	(No. and Street)	Texas	78205
(City)	(State)	(Zip Code)	

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Karen Banks 210-220-4128
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

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

100 West Houston Street, Suite 1800	San Antonio	Texas	78205
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

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

PROCESSED
OCT 09 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/initials

~~CONFIDENTIAL~~

Frost Brokerage Services, Inc.

Statements of Financial Condition

	May 31,	
	2007	2006
Assets		
Cash	\$ 286,500	\$ 220,444
Securities owned	9,789,498	7,083,102
Brokerage commissions receivable	760,140	614,711
Annuity commissions receivable	190,630	14,027
Other receivables	246,901	229,856
Other assets	13,896	748
Total assets	\$ 11,287,565	\$ 8,162,888
Liabilities and Stockholder's Equity		
Liabilities:		
Accounts payable	\$ 11,105	\$ -
Accrued employee benefits	-	15,746
Deferred income	371,971	230,809
Income taxes currently payable to Frost National Bank	599,983	442,407
Net deferred tax liability	36,843	41,420
Other liabilities	-	733
Total liabilities	1,019,902	731,115
Stockholder's equity:		
Common stock, par value \$0.01 per share; 10,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	155,735	152,750
Retained earnings	10,111,828	7,278,923
Total stockholder's equity	10,267,663	7,431,773
Total liabilities and stockholder's equity	\$ 11,287,565	\$ 8,162,888

See accompanying notes.

END