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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**  
*revised*  
FACING PAGE

SEC FILE NUMBER
8-46677

**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 01/01/2005 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SCA Development, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
One Health South Parkway South  
(No. and Street)  
Birmingham AL 35243-2358  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Lisa Byrd 205-970-5599  
(Area Code - Telephone Number)

OFFICIAL USE ONLY
FIRM I.D. NO.

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Hays & Company, LLP  
(Name - if individual, state last, first, middle name)  
477 Madison Ave. New York NY 10022-5892  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**

**JUL 17 2006**

**THOMSON FINANCIAL**

<b>FOR OFFICIAL USE ONLY</b>
<i>7/13/06</i>

\*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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Lisa M. Byrd, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SEA Development Inc., as of December 31, 20 05, 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:

Lisa M. Byrd  
Signature

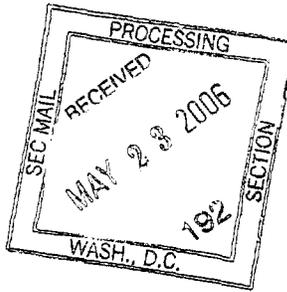
President  
Title

Karen E. Cole  
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 Changes in Financial Condition. Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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.

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



**SCA Development, Inc.**  
(A wholly-owned subsidiary  
of HealthSouth Corporation)

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

SCA Development, Inc.  
(A wholly-owned subsidiary  
of HealthSouth Corporation)

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005

CONTENTS

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF FINANCIAL CONDITION.....	2
STATEMENT OF OPERATIONS.....	3
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6

SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS REQUIRED BY RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION.....	10
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL FOR A BROKER - DEALER CLAIMING AN EXEMPTION FROM RULE 15c3-3 REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION.....	11

# Hays & Company LLP

DAVID A. LIFSON, CPA  
EDWARD A. KUCZMARSKI, CPA  
JOHN A. BASILE, CPA  
RONALD B. HECT, CPA  
STUART M. FRIEDMAN, CPA  
MARTIN R. KLEIN, CPA  
CAROL S. MESSMAN, CPA

CERTIFIED PUBLIC ACCOUNTANTS  
Globally: MOORE STEPHENS HAYS LLP

477 MADISON AVENUE  
NEW YORK, NY 10022-5892  
TELEPHONE: 212-572-5500  
FACSIMILE: 212-572-5572  
www.haysco.com

Board of Directors and Stockholder  
SCA Development, Inc.

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial condition of SCA Development, Inc. (a wholly-owned subsidiary of HealthSouth Corporation) as of December 31, 2005, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 SCA Development, Inc. as of December 31, 2005, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 10 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.

*Hays & Company LLP*

January 30, 2006  
New York, New York

SCA Development, Inc.  
(A wholly-owned subsidiary  
of HealthSouth Corporation)

STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2005

Assets	
Cash	\$ 794,738
Prepaid expenses	<u>28,216</u>
<b>Total assets</b>	<b><u>\$ 822,954</u></b>
<b>Liabilities and Stockholder's Equity</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 746
Payable to HealthSouth Corporation	<u>226,079</u>
	<u>226,825</u>
Commitments and contingencies	
<b>Stockholder's equity</b>	
Common stock, par value \$.01; 1,000 shares authorized, issued and outstanding	10
Additional paid-in capital	39,990
Retained earnings	<u>556,129</u>
	<u>596,129</u>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 822,954</u></b>

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

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Revenue</b>	
Commissions	\$ 542,539
Interest	<u>12,308</u>
	<u>554,847</u>
 <b>Expenses</b>	
Salaries and benefits	139,795
Insurance	106,977
Professional fees	64,762
Membership and filing fees	19,804
Other expenses	<u>849</u>
	<u>332,187</u>
 <b>Income before income taxes</b>	 222,660
Income tax expense allocation from parent company	<u>89,006</u>
 <b>Net income</b>	 <u>\$ 133,654</u>

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

SCA Development, Inc.  
(A wholly-owned subsidiary  
of HealthSouth Corporation)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Common stock	Additional paid-in capital	Retained earnings	Total Stockholder's Equity
Balance, January 1, 2005	\$ 10	\$ 39,990	\$ 422,475	\$ 462,475
Net income, year ended December 31, 2005	-	-	133,654	133,654
Balance, December 31, 2005	<u>\$ 10</u>	<u>\$ 39,990</u>	<u>\$ 556,129</u>	<u>\$ 596,129</u>

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

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**Cash flows from operating activities:**

Net income \$ 133,654

**Decrease in operating assets**

Prepaid expenses 4,272

**Decrease in operating liabilities**

Accounts payable and accrued expenses (26,753)

**Net cash provided by operating activities** 111,173

**Cash flows from financing activities:**

Payable to HealthSouth Corporation (98,864)

**Net cash provided by financing activities** (98,864)

Net increase in cash 12,309

Cash at beginning of year 782,429

Cash at end of year \$ 794,738

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

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. Summary of Significant Accounting Policies:**

*Organization and Description of Business-*

SCA Development, Inc. (the "Company") was incorporated under the laws of Tennessee in June 1993 to sell direct participation programs, primarily limited partnership interests in outpatient health care facilities located throughout the United States of America, to practicing physicians. The Company is authorized to act as a broker or dealer in securities pursuant to Section 15(b) of the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The Company carries no customer funds or securities and therefore is exempt from Rule 15c3-3 of the Securities and Exchange Commission (the "SEC"). The Company is a wholly-owned subsidiary of HealthSouth Corporation ("HealthSouth") and is included in the consolidated financial statements of HealthSouth. The Company operates from HealthSouth's corporate headquarters located in Birmingham, Alabama.

*Basis of Presentation-*

The accompanying financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

*Use of Estimates and Assumptions-*

The preparation of our financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluations, as considered necessary. Actual results could differ from those estimates.

*Risks and Uncertainties*

HealthSouth operates in a highly regulated industry and is required to comply with extensive and complex laws and regulations at the federal, state, and local government levels. These laws and regulations relate to, among other things:

- licensure, certification, and accreditation
- billing for services
- relationships with physicians and other referral sources, including physician self-referral and fraud and abuse
- cost reports
- adequacy and quality of medical care
- quality of medical equipment and services
- qualifications, maintenance, and security issues associated with medical records

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

- operating policies and procedures
- addition of facilities and services

Many of these laws and regulations are expansive, and HealthSouth does not have the benefit of significant regulatory or judicial interpretation of them. In the future, different interpretations or enforcement of these laws and regulations could subject HealthSouth's current or past practices to allegations of impropriety or illegality. If HealthSouth is deemed to have failed to comply with applicable laws and regulations, it could be subjected to liabilities, including (a) criminal penalties, (b) civil penalties, including monetary penalties and the loss of our licenses to operate one or more of our facilities, and (c) exclusion or suspension of one or more of our facilities from participation in the Medicare, Medicaid, and other federal and state health care programs. Any of these liabilities could have a material adverse effect on our business, results of operations, financial condition and cash flows.

HealthSouth recently settled a lawsuit brought by the SEC relating to its financial reporting practices prior to March 2003. Investigations by the criminal division of the DOJ and the United States' Attorney's Office for the Northern District of Alabama are ongoing. While HealthSouth is fully cooperating with the SEC, the DOJ, and other governmental authorities in their investigations, HealthSouth cannot predict the outcome of those investigations. Such investigations could have a material adverse effect on HealthSouth, the trading prices of HealthSouth securities, and HealthSouth's ability to access the capital markets, which in turn could have a material adverse effect on our business, results of operations, financial condition and cash flows. If HealthSouth were convicted of a crime, certain contracts and licenses that are material to its operations may be revoked which would severely affect its business and, in turn, our business.

HealthSouth also entered into a recent settlement with various government agencies and other parties regarding its participation in federal health care programs. Despite this settlement, HealthSouth remains a defendant in litigation relating to its participation in federal health care programs, and substantial damages or other monetary penalties assessed against HealthSouth in this litigation may have a material adverse effect on our business, financial condition, results of operations, and cash flows. These so-called *qui tam* (i.e., whistleblower) actions brought under the False Claims Act are sealed by the court at the time of filing. The only parties privy to the information contained in the complaint are the relator, the federal government, and the court. Therefore, it is possible that additional *qui tam* actions have been filed against HealthSouth that we are unaware of or which HealthSouth has been ordered by the court not to discuss until the court lifts the seal from the case. Thus, it is possible that HealthSouth could be subject to additional liability exposure under the False Claims Act based on *qui tam* actions other than those publicly disclosed by HealthSouth.

A number of other lawsuits have been brought against HealthSouth involving its accounting practices, coverage under its directors and officers insurance policies, and various other outstanding securities, derivative, and regulatory litigation. We cannot predict the ultimate outcome of any litigation. Substantial damages or other monetary remedies assessed against HealthSouth could have a material adverse effect on our business, results of operations, financial condition and cash flows. If the insurance companies are successful in rescinding or denying coverage to HealthSouth and/or some of its current and former directors and officers, its ability to reach various settlements in significant litigation could be adversely affected. The failure to reach a settlement could have a material adverse effect on HealthSouth's business and, in turn, our business, results of operations, financial condition, and cash flows.

In addition, given the nature of our business, we are subject from time to time to various other lawsuits which, depending on their outcome, may have a negative effect on us.

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Revenue Recognition-*

Revenue, which consists principally of commissions from the sale of limited partnership units sold by the Company, is recognized when the sales proceeds are received, generally at the transaction closing date.

*Cash and Concentrations of Credit Risks-*

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company maintains amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. However, Company management periodically evaluates the credit-worthiness of those institutions, and the Company has not experienced any losses on such deposits.

*Salaries and Benefits-*

The Company does not have any full-time employees. Salaries and benefits are based on the actual number of hours spent working on Company business by HealthSouth employees.

*Income Taxes-*

We provide for income taxes using the asset and liability method as required by FASB Statement No. 109, *Accounting for Income Taxes*. This approach recognizes the amount of federal, state, and local taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under FASB Statement No. 109, a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income. The Company does not have any deferred tax assets or liabilities.

The Company's results of operations are included in HealthSouth's consolidated federal income tax return. For state income tax purposes, the Company's results of operations are reported on separately filed Missouri and Tennessee income tax returns. The Company does not have a formal tax sharing agreement in place with HealthSouth; however, the Company is responsible for its allocated portion of federal and state income taxes, pursuant to §1552(a)(1) of the Internal Revenue Code of 1986, as Amended.

The Company's allocated portion of these taxes is accounted for as an intercompany transaction. Income tax expense in the Company's financial statements has been calculated on a separate tax return basis. The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the Company's deferred tax assets and liabilities.

**2. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15:1. The rule also provides that capital may not be withdrawn or cash dividends paid if the resulting ratio would exceed 10:1. At December 31, 2005, the Company had net capital of \$567,913, which was \$552,791 in excess of its required minimum net capital of \$15,122. The Company's ratio of aggregate indebtedness to net capital was .40:1 at December 31, 2005.

**SCA Development, Inc.**  
**(A wholly-owned subsidiary**  
**of HealthSouth Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**3. Transactions with Related Parties**

Due to the nature of the Company's business, all of its transactions are with related parties. These related parties consist of the various HealthSouth surgery centers which buy and sell limited partnership interests during the year. All revenues are derived from transactions with related parties. HealthSouth pays all of the Company's expenses and is reimbursed for the expenses by the Company. All amounts due to related party at December 31, 2005 are due on demand.

The financial condition and results of operations of the Company, as reported, are not necessarily indicative of the results that would have been reported had the Company operated completely independently.

SCA Development, Inc.  
(A wholly-owned subsidiary  
of HealthSouth Corporation)

SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL AND AGGREGATE  
INDEBTEDNESS REQUIRED BY RULE 15c3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION

DECEMBER 31, 2005

**NET CAPITAL**

Total stockholder's equity	\$ 596,129
<b>Less nonallowable assets</b>	
Prepaid expenses	<u>28,216</u>
<b>Net capital</b>	<u>\$ 567,913</u>
Minimum net capital required (6 2/3% of aggregate indebtedness)	\$ 15,122
Minimum dollar net capital requirement	\$ 5,000
Net capital requirement (greater of above amounts)	\$ 15,122
Excess net capital	\$ 552,791
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u>\$ 545,231</u>

**AGGREGATE INDEBTEDNESS**

Total aggregate indebtedness from statement of financial condition	\$ 226,825
Ratio of aggregate indebtedness to net capital	<u>40:1</u>

**RECONCILIATION PURSUANT TO RULE 17a-5(d)(4)  
OF THE SECURITIES AND EXCHANGE COMMISSION**

Net capital, as reported in the Company's Part IIA of the FOCUS report (unaudited)	\$ 643,511
Audit adjustments, principally related to additional accruals and misposting of salaries and benefits and income tax benefit	(100,654)
Misspostings and reclassifications of nonallowable assets	<u>25,056</u>
Net capital, as adjusted	<u>\$ 567,913</u>

All other disclosures and reconciliations required under Rule 17a-5 of the Securities and Exchange Commission are not applicable to the Company.

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

# Hays & Company LLP

DAVID A. LIFSON, CPA  
EDWARD A. KUCZMARSKI, CPA  
JOHN A. BASILE, CPA  
RONALD B. HEGT, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS  
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NEW YORK, NY 10022-5892  
TELEPHONE: 212-572-5500  
FACSIMILE: 212-572-5572  
www.haysco.com

Board of Directors and Stockholder  
SCA Development, Inc.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL FOR A BROKER - DEALER CLAIMING AN EXEMPTION FROM RULE 15c3-3 REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

In planning and performing our audit of the financial statements and supplementary information of SCA Development, Inc. (the "Company") for the year ended December 31, 2005, 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 and Exchange Commission (the "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 (or aggregate debits) and net capital under Rule 17a-3(11) and for determining compliance with the exemptive provisions of Rule 15c3-3(e). 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 and recordation of differences required by Rule 17a-13
2. 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by 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 judgments by management are required to assess the expected benefits and related costs of internal 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 an 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 preparation of financial statements in conformity with accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

## Hays & Company LLP

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. And, 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 the internal control would not necessarily disclose all matters in the 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 structure components does not reduce to a relatively low level the risk that errors 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 the following matters involving the Company's internal controls and their operation that we considered to be material weaknesses as defined above. These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of SCA Development, Inc. for the year ended December 31, 2005, and this report does not affect our report thereon dated January 30, 2006. The Company failed to record all prior year audit adjustments and the current year allocated federal and state income tax expense. In addition, accounting personnel failed to record all allocable payroll costs to the Company's general ledger during the reporting period. As a result, the Company's computation of Net Capital was overstated during the year ended December 31, 2005.

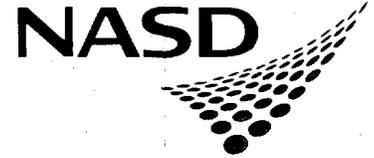
We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that 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, with the exception of the items noted above, that the Company's practices and procedures were adequate at December 31, 2005 to meet the SEC'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 specified parties.

*Hays & Company LLP*

January 30, 2006  
New York, New York

**VIA CERTIFIED MAIL RETURN RECEIPT NO.:**  
**7005 1160 0000 7001 3933**  
**FIRST CLASS US MAIL**



April 24, 2006

Ms. Lisa M. Byrd  
President  
SCA Development, Inc.  
One Healthsouth Parkway  
Birmingham, Alabama 35243-2329

Dear Ms. Byrd:

This acknowledges receipt of your December 31, 2005 annual filing of audited financial statements made pursuant to U.S. Securities and Exchange Commission (SEC) Rule 17a-5(d), (the Rule). The report as submitted appears deficient in that it did not contain the following:

The firm's Minimum Net Capital requirement and Excess Net Capital should be recomputed to reflect the Aggregate Indebtedness Standard in SEC Rule 15c3-1(a)(1)(i).

Based on the above, your filing does not comply with the requirements of the Rule. The text of the Rule is reproduced in the *NASD Manual* under the section titled *SEC Rules & Regulation T*. We urge you to review the Rule with your independent accountant.

Pursuant to the provisions of NASD Rule 8210, we request that you send one copy of each item listed above to this office and to the appropriate SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a new completed Form X-17A-5 Part III Facing Page, a copy of which is enclosed for your convenience.

Please respond to this matter by May 24, 2006. Questions may be addressed to Alistair E. Johnson, Special Investigator, at 504-522-6527.

Sincerely,

  
Donald J. DeBlanc  
Supervisor of Examiners

DJD/kr

Enclosure



  
New Orleans District Office  
1100 Poydras Street  
Energy Centre, Suite 850  
New Orleans, LA  
70163-0802

tel 504 522 6527  
fax 504 581 3699  
www.nasd.com

Ms. Lisa M. Byrd  
April 24, 2006  
Page 2

cc: SEC Headquarters  
450 Fifth Street, NW  
Washington, DC 20549

Hays & Co., LLP  
477 Madison Avenue  
New York, New York 10022-5892

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8-

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 \_\_\_\_\_ AND ENDING \_\_\_\_\_  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

(No. and Street)

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

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

(Address)

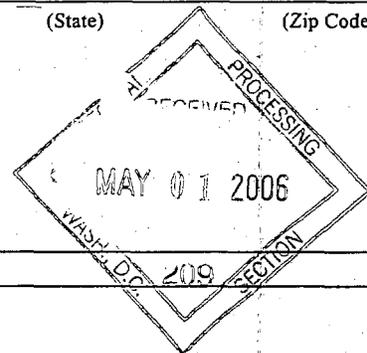
(City)

(State)

(Zip Code)

CHECK ONE:

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



**FOR OFFICIAL USE ONLY**

\*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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, \_\_\_\_\_, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of \_\_\_\_\_, as of \_\_\_\_\_, 20\_\_\_\_\_, 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

\_\_\_\_\_  
Title

\_\_\_\_\_  
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 Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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.

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