

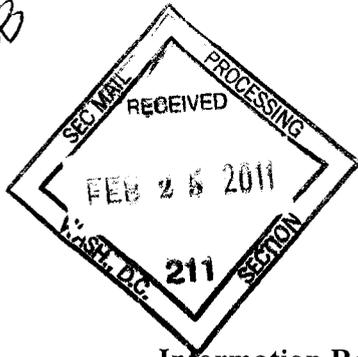
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
11016018

MB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response..... 12.00



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

SEC FILE NUMBER  
8-46677

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 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SCA Development, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

3000 Riverchase Galleria, Suite 500

(No. and Street)

Birmingham

Alabama

35244

(City)

(State)

(Zip Code)

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

Lisa Byrd, President

205-545-2734

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Sellers, Richardson, Holman & West, LLP

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

216 Summit Blvd., Suite 300

Birmingham

Alabama

35243

(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)

BB 3/11

OATH OR AFFIRMATION

I, Lisa 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 SCA Development, LLC, as of December 31, 2010 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 Byrd*  
Signature

President  
Title

*Bonnie S. Browning*  
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.

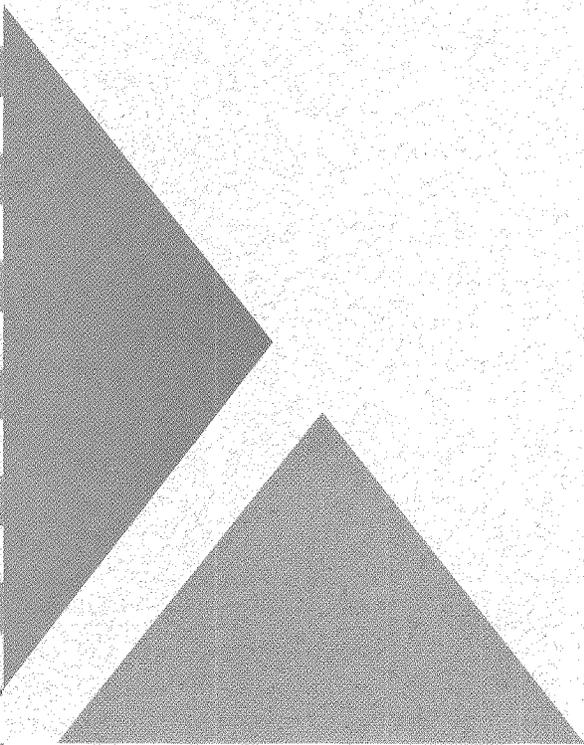
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



SELLERS RICHARDSON HOLMAN & WEST<sup>LLP</sup>

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Financial Statements  
and Supplementary Information  
Year Ended December 31, 2010**

Two large, dark gray triangles are positioned in the bottom-left corner of the page. One is a larger triangle pointing right, and the other is a smaller triangle pointing up, partially overlapping the first.

**THE ADVICE YOU NEED.  
THE ATTENTION YOU DESERVE.**

**SCA DEVELOPMENT, LLC**  
**(A wholly owned subsidiary of SC Affiliates, LLC)**

**Financial Statements  
and Supplementary Information  
Year Ended December 31, 2010**

**SCA DEVELOPMENT, LLC**  
**(A wholly owned subsidiary of SC Affiliates, LLC)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Member  
SCA Development, LLC  
Birmingham, Alabama

We have audited the accompanying statement of financial condition of SCA Development, LLC (a wholly owned subsidiary of SC Affiliates, LLC) (Company), as of December 31, 2010, and the related statements of operations, changes in member's equity, 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 SCA Development, LLC (a wholly owned subsidiary of SC Affiliates, LLC), as of December 31, 2010, 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 in Schedule 1 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.

*Sellers Richardson Holman & West, LLP*

February 22, 2011

An Independently Owned Member  
**MCGLADREY ALLIANCE**

 **McGladrey**

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Statement of Financial Condition**  
**December 31, 2010**

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**Assets**

Cash	\$ 844,658
Prepaid expenses	16,332
Deferred tax asset, parent company	<u>116,503</u>
Total assets	<u>\$ 977,493</u>

**Liabilities and Member's Equity**

Liabilities	
Payable to SC Affiliates, LLC	\$ 293,728
Commitments and Contingencies (See Note 5)	
Member's Equity	<u>683,765</u>
Total liabilities and member's equity	<u>\$ 977,493</u>

## SCA DEVELOPMENT, LLC

(A wholly owned subsidiary of SC Affiliates, LLC)

### Statement of Operations

Year Ended December 31, 2010

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#### Revenues

Commissions	\$ 171,576
Interest income	1,266
	<hr/>
	172,842

#### Expenses

Salaries and benefits	255,950
Professional fees	30,169
Membership and filing fees	28,583
Insurance	20,579
Rent	9,307
Other operating expenses	27,445
	<hr/>
	372,033

Loss before benefit from income taxes (199,191)

Benefit from Income Taxes (Allocated from Parent Company) (78,257)

Net loss \$ (120,934)

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Statement of Changes in Member's Equity**  
**Year Ended December 31, 2010**

---

**Member's Equity**

Beginning of year	\$ 804,699
Net loss	<u>(120,934)</u>
End of year	<u><u>\$ 683,765</u></u>

**SCA DEVELOPMENT, LLC**  
**(A wholly owned subsidiary of SC Affiliates, LLC)**

**Statement of Cash Flows**  
**Year Ended December 31, 2010**

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<b>Cash Flows from Operating Activities</b>	
Net loss	\$ (120,934)
Adjustments to reconcile net loss to net cash used in operating activities	
Deferred income taxes	(78,257)
Changes in assets and liabilities:	
Prepaid expenses	9,684
Refundable income taxes, parent company	<u>9,812</u>
Net cash used in operating activities	(179,695)
 <b>Cash Flows from Financing Activities</b>	
Net change in payable to SC Affiliates, LLC	<u>180,961</u>
Net increase in cash	1,266
 <b>Cash</b>	
Beginning of year	<u>843,392</u>
End of year	<u><u>\$ 844,658</u></u>

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Notes to Financial Statements**

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**Note 1. Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business**

On December 31, 2008, SCA Development, LLC (Company) was formed by its sole member, SC Affiliates, LLC (SCA). The Company was formed 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 Financial Industry Regulatory Authority (FINRA). The Company carries no customer funds or securities and therefore is exempt from Rule 15c3-3 of the United States Securities and Exchange Commission (SEC). The Company is a wholly owned subsidiary of SCA and is included in the consolidated financial statements of SCA. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP) and to general practice within the brokerage industry.

**Basis of Accounting**

The Company reports the results of its operations and its financial condition using the accrual basis of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that 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. Accordingly, actual results could differ from these estimates.

**Risks and Uncertainties**

SCA 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,
- Coding and billing for services,
- Relationships with physicians and other referral sources, including physician self-referral and anti-kickback laws,
- Quality of medical care,
- Use and maintenance of medical supplies and equipment,
- Maintenance and security of medical records,
- Acquisition and dispensing of pharmaceuticals and controlled substances, and
- Disposals of medical hazardous waste.

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Notes to Financial Statements**

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Many of these laws and regulations are expansive, and SCA 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 SCA's current or past practices to allegations of impropriety or illegality or could require SCA to make changes in its investment structure, facilities, equipment, personnel, services, capital expenditure programs, operating procedures, and contractual arrangements.

If SCA is deemed to have failed to comply with applicable laws and regulations, it could be subjected to liabilities, including (1) criminal penalties, (2) civil penalties, including monetary penalties and the loss of its licenses to operate one or more of its facilities, and (3) exclusion or suspension of one or more of its facilities from participation in the Medicare, Medicaid, and other federal and state health care programs.

Given the nature of SCA's business, they are subject from time to time to various lawsuits which, depending on their outcome, may have a negative effect on SCA and, in turn, the Company.

**Revenue Recognition**

Revenues, which consist of commissions from the sale of limited partnership units sold by the Company, are recognized at the transaction closing date as long as there are no contingencies related to the sale. When contingencies are present, recognition of commissions are postponed until all such contingencies have been removed from the sales transaction.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2010.

**Expense Sharing Agreement**

The Company is part of an expense sharing agreement with SCA such that certain general and administrative expenses are allocated to the Company primarily based on a proportion of space occupied and resources utilized. All appropriate allocations have been made as of December 31, 2010 and are included in the accompanying statement of operations.

**Salaries and Benefits**

The Company does not have any full-time employees. Salaries and benefits for SCA employees working on Company business are allocated entirely to the Company in accordance with the expense sharing agreement.

**Income Taxes**

The Company provides for income taxes using the asset and liability method as required by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *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 ASC 740, a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Notes to Financial Statements**

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will not be realized. Realization is dependent on generating sufficient future taxable income. The Company's deferred tax asset is comprised of net operating loss carryforwards as of December 31, 2010. At December 31, 2010, the Company has net federal net operating loss carryforwards of \$277,398 expiring in years through 2030 and state net operating loss carryforwards of \$296,756, expiring in years through 2025. The Company assesses its ability to recover such carryforwards and records a valuation allowance when circumstances indicate that operating loss carryforwards may not be realized.

The Company's results of operations for the year ended December 31, 2010, are included in SCA's consolidated federal income tax return. For state income tax purposes, the Company's results of operations are reported on a separately filed Alabama income tax return. The Company does not have a formal tax sharing agreement in place with SCA for 2010. 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 and is reported on the accompanying statement of financial condition under the caption *Deferred tax asset, parent company*. The benefit from income taxes 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 benefit from income taxes is the sum of the amount of income tax paid or refundable for the year as determined by applying the provisions of enacted tax laws to the excess of tax deductible expenses and exemptions over taxable revenue for that year and the net change during the year in the Company's deferred tax assets and liabilities.

As a single member limited liability company, the Company's taxable income or loss is allocated to its sole member.

Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years before 2007.

**Subsequent Events**

Subsequent events have been evaluated for potential recognition and disclosure through February 22, 2011, which represents the date the financial statements were available for issuance.

**Note 2. Concentrations of Credit Risk**

The Company maintains cash in a bank account at a high credit quality financial institution. Throughout the year ended December 31, 2010, the Company had cash on deposit with the financial institution in excess of federal depository insurance limits. The Company has not experienced and does not anticipate any credit losses on these deposits.

**SCA DEVELOPMENT, LLC**  
(A wholly owned subsidiary of SC Affiliates, LLC)

**Notes to Financial Statements**

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**Note 3. Defined Contribution Plan**

SCA has a profit sharing plan that covers substantially all full-time employees. Contributions to the plan are made at the sole discretion of management. During the year ended December 31, 2010, an allocation of \$2,707 related to these contributions to the plan was charged to operations.

**Note 4. Related Party Transactions**

Due to the nature of the Company's business, all of its transactions are with related parties. The related parties consist of various SCA outpatient health care facilities, which buy and sell limited partnership interests during the year. All commissions are derived from transactions with these facilities. Additionally, SCA pays all of the Company's expenses and is reimbursed by the Company. The net amounts due to these related parties from the Company at December 31, 2010, are shown on the statement of financial condition under the caption *Payable to SC Affiliates, LLC*.

The financial position 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 independent.

**Note 5. Contingencies**

SCA operates in a highly regulated and litigious industry. As a result, various lawsuits, claims, and legal and regulatory proceedings, some of which could directly affect the Company, can be expected to be instituted or asserted against SCA. The resolution of any such lawsuits, claims, or legal and regulatory proceedings could materially and adversely affect the Company's results of operations and financial position in a given period.

**Note 6. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (SEC 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 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2010, the Company had net capital of \$550,930, which was \$531,348 in excess of its required net capital which is the greater of \$5,000 or 6-2/3 percent of its aggregate indebtedness. The Company's net capital ratio was .53 to 1.

**Note 7. Annual Audit Report**

The audited financial statements of the Company for the most recent audit period are available at the principal office of the Company, and will be mailed upon written request pursuant to SEC Rule 17a-5.

**SCA DEVELOPMENT, LLC**  
**(A wholly owned subsidiary of SC Affiliates, LLC)**

**Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of December 31, 2010**

---

Computation of net capital	
Total member's equity qualified for net capital	\$ 683,765
Deduct non-allowable assets:	
Prepaid expenses	16,332
Deferred tax asset, parent company	116,503
Net capital	<u>\$ 550,930</u>
Computation of basic net capital requirement	
Minimum net capital required (6-2/3 percent of aggregate indebtedness)	<u>\$ 19,582</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 19,582</u>
Excess net capital	<u>\$ 531,348</u>
Excess net capital at 1,000 percent (net capital less 10 percent of aggregate indebtedness)	<u>\$ 521,557</u>
Computation of aggregate indebtedness	
Total aggregate indebtedness from statement of financial condition	<u>\$ 293,728</u>
Percentage of aggregate indebtedness to net capital	<u>53%</u>
Reconciliation with the Company's computation	
Net capital, as reported in Company's Part IIA (unaudited) FOCUS report	\$ 594,623
Reclass of beginning deferred tax asset, parent company balance from intercompany payable	(38,246)
Adjustment for accounts payable	<u>(5,447)</u>
Net capital per calculation above	<u>\$ 550,930</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17A-5(G)(1) FOR A BROKER-DEALER  
CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors and Member  
SCA Development, LLC  
Birmingham, Alabama

In planning and performing our audit of the financial statements and supplementary information of SCA Development, LLC (a wholly owned subsidiary of SC Affiliates, LLC) (Company), as of and for the year ended December 31, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included 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(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 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

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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

An Independently Owned Member  
**MCGLADREY ALLIANCE**



Because of inherent limitations in internal control and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as described 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, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies, which 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 used by anyone other than these specified parties.

*Sellers Richardson Holman & West, LLP*

February 22, 2011



SELLERS RICHARDSON HOLMAN & WEST<sub>LLP</sub>

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Birmingham, AL 35243

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