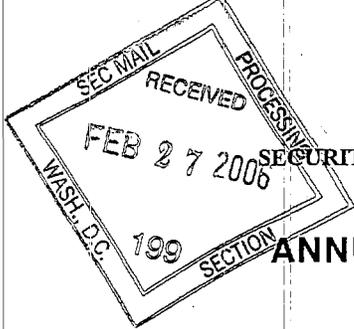


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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
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hours per response... 12.00

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

SEC FILE NUMBER  
8- 52570

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 January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stratton Capital Management, Ltd.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

575 Madison Avenue

(No. and Street)

New York

NY

10022

(City)

(State)

(Zip Code)

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

Michael J. Manning

(212) 605-0575

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Regen, Benz & MacKenzie, CPA's P.C.

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

57 West 38th Street

New York

NY

10018

(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 10 2006

THOMSON  
FINANCIAL

**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)

KA 7/7/06

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, Michael J. Manning, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stratton Capital Management Ltd., as of December 31, 2005, 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:

\_\_\_\_\_  
\_\_\_\_\_

Gloria A. Rivera  
Notary Public, State of New York  
No. 01705048511  
Commission Expires August 23, 2009

[Signature]  
Signature  
President  
Title

Gloria A. Rivera  
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).



# RegenBenzMacKenzie

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Stratton Capital Management, Ltd.  
New York, New York

We have audited the accompanying statement of financial condition of Stratton Capital Management, Ltd. as of December 31, 2005 and the related statements of income, changes in stockholder'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 Stratton Capital Management, Ltd. at 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 in Schedules I, II, III and IV 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.

*Regen, Benz & MacKenzie, CPAs, P.C.*

New York, New York  
January 20, 2006

REGEN, BENZ & MACKENZIE, C.P.A.'S, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

57 WEST 38TH STREET, NEW YORK, NEW YORK 10018  
TELEPHONE 212.661.2720 FACSIMILE 212.681.6140

STRATTON CAPITAL MANAGEMENT, LTD.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005

ASSETS

Cash	\$ 491,758
Accounts Receivable	312,285
Prepaid Insurance	249
Prepaid Taxes	9,032
Prepaid Expenses - Other	150
Organization Costs, less accumulated amortization of \$18,418	<u>3,252</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>816,726</u></b>

LIABILITIES AND STOCKHOLDER'S EQUITY

<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 90,502
Payroll Taxes Payable	<u>49,683</u>
<b>Total Liabilities</b>	<b><u>140,185</u></b>
<u>Stockholder's Equity</u>	
Capital Stock	10
Paid-in Capital	75,199
Retained Earnings	<u>601,332</u>
<b>Total Stockholder's Equity</b>	<b><u>676,541</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ <u>816,726</u></b>

See accountants' audit report  
and accompanying notes to financial statements.

RegenBenzMacKenzie

STRATTON CAPITAL MANAGEMENT, LTD.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Revenue</u>	\$ <u>757,449</u>
<u>Operating Expenses</u>	
Officer Salary	211,303
Office Salaries	148,762
Payroll Taxes	21,778
Pension Expense	50,000
Administrative Services (Note 3)	107,073
Consulting	3,210
Bank Service Charges	88
Dues, Licenses and Fees	10,398
Professional Fees	81,898
Insurance	1,389
Amortization	<u>4,333</u>
Total Operating Expenses	<u>640,232</u>
Income before Income Taxes	117,217
Less: Income Taxes	<u>8,779</u>
Net Income for the Year Ended December 31, 2005	\$ <u><u>108,438</u></u>

See accountants' audit report  
and accompanying notes to financial statements.

**RegenBenzMacKenzie**

STRATTON CAPITAL MANAGEMENT, LTD.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Capital Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2005	\$ 10	\$ 75,199	\$ 492,894	\$ 568,103
Net Income - Year Ended December 31, 2005	-	-	<u>108,438</u>	<u>108,438</u>
Balance, December 31, 2005	<u>\$ 10</u>	<u>\$ 75,199</u>	<u>\$ 601,332</u>	<u>\$ 676,541</u>

See accountants' audit report  
and accompanying notes to financial statements.

**RegenBenzMacKenzie**

STRATTON CAPITAL MANAGEMENT, LTD.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows From Operating Activities:	
Net Income	\$ 108,438
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:	
Amortization	4,333
Decrease in Accounts Receivable	29,277
Decrease in Prepaid Insurance	29
Increase in Prepaid Taxes	(9,032)
Increase in Prepaid Expenses-Other	(150)
Increase in Accounts Payable and Accrued Expenses	59,177
Decrease in Income Taxes Payable	(49,422)
Increase in Payroll Taxes Payable	<u>49,258</u>
Net Cash Provided By Operating Activities	<u>191,908</u>
Net Increase in Cash	191,908
Cash and Cash Equivalents - January 1, 2005	<u>299,850</u>
Cash and Cash Equivalents - December 31, 2005	\$ <u><u>491,758</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Income Taxes	\$ <u><u>45,233</u></u>

See accountants' audit report  
and accompanying notes to financial statements.

**RegenBenzMacKenzie**

STRATTON CAPITAL MANAGEMENT, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

1- ORGANIZATION

Stratton Capital Management, Ltd. ("Stratton"), a Delaware Corporation was incorporated on January 21, 1999. Stratton was issued a broker/dealer license on November 29, 2000 by the Securities and Exchange Commission and is a member of the National Association of Securities Dealers ("NASD").

Stratton was organized to sell private placements and related programs to qualified investors.

Stratton Capital Management does not maintain any customer accounts, as defined by Rule 15c3-3 of the Securities and Exchange Commission. Stratton is therefore exempt from Rule 15c3-3 in accordance with subparagraph (k)(2)(i) thereof.

2- SIGNIFICANT ACCOUNTING POLICIES

Stratton uses the accrual method of accounting.

Cash and Cash Equivalents

Stratton includes cash on deposit, cash on hand, and certificates of deposits with original maturities less than three months (if any) as cash equivalents.

Only \$100,000 of cash held at Bank of New York is FDIC insured. The balance of \$391,758 is not insured.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Organizational Costs

Organizational costs are being amortized over 60 months using the straight-line method.

3- RELATED PARTY TRANSACTIONS

Stratton has a service agreement with Stratton Advisors, Inc. a corporation under common control, to provide certain administrative services. The following amounts were incurred and paid for the year ended December 31, 2005.

Administrative Services	<u>\$108,000</u>
-------------------------	------------------

STRATTON CAPITAL MANAGEMENT, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

4- CAPITAL STOCK

The authorized, issued and outstanding capital stock at December 31, 2005, was as follows:

Common Stock, par value \$.01 per share, authorized 1,000 shares; issued 1,000 shares.

5- INCOME TAXES

The company elected "S" status for Federal and New York State tax purposes. Accordingly, the income of the company is reported on the stockholder's personal income tax return. New York City does not recognize "S" Corporations, therefore the company is liable for New York City General Corporation Tax.

6- FAIR VALUES OF FINANCIAL INSTRUMENTS

Stratton has a number of financial instruments, including cash. Stratton estimates that the fair value of all financial instruments at December 31, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by Stratton using available market information and appropriate valuation methodologies. Considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that Stratton could realize in a current market exchange. None of the financial instruments are held for trading purposes.

7 - NET CAPITAL REQUIREMENTS

Stratton is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 (and the rule of the "applicable" exchange 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, 2005, Stratton had net capital of \$351,573, which was \$342,228 in excess of its required net capital of \$9,345. Stratton's net capital ratio was .40 to 1.

SCHEDULE I  
STRATTON CAPITAL MANAGEMENT, LTD.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

NET CAPITAL		
Total Assets		\$ 816,726
Less: Total Liabilities		<u>140,185</u>
Net Worth		<u>676,541</u>
Deductions and/or charges		
Non-allowable assets:		
Accounts Receivable		312,285
Prepaid Insurance		249
Prepaid Taxes		9,032
Prepaid Expenses - Other		150
Organizational Costs (net of amortization)		<u>3,252</u>
Total deductions and/or charges		<u>324,968</u>
Net Capital		\$ <u>351,573</u>
Aggregate indebtedness		
Items included in statement of financial condition:		
Accounts Payable and Accrued Expenses		\$ 90,502
Payroll Taxes Payable		<u>49,683</u>
Total aggregate indebtedness		\$ <u>140,185</u>
Computation of basic Net Capital requirement		
Minimum Net Capital required		\$ <u>9,345</u>
Excess Net Capital		\$ <u>342,228</u>
Excess Net Capital at 1,000 percent		\$ <u>337,554</u>
Ratio: Aggregate indebtedness to Net Capital		<u>.40 to 1</u>
Ratio: Aggregate indebtedness Debt to Debt Equity		<u>-0-</u>

RECONCILIATION WITH STRATTON CAPITAL MANAGEMENT, LTD. COMPUTATION

Net Capital, as reported in Company's Part II (Unaudited) Focus Report	\$ <u>351,573</u>
Net Capital Per Above	\$ <u>351,573</u>

RegenBenzMacKenzie

SCHEDULE II  
STRATTON CAPITAL MANAGEMENT, LTD.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

As Stratton Capital Management, Ltd. does not hold customer accounts, this schedule is not applicable.

RegenBenzMacKenzie

SCHEDULE III  
STRATTON CAPITAL MANAGEMENT, LTD.  
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

As Stratton Capital Management, Ltd. does not hold customer accounts, this schedule is not applicable.

RegenBenzMacKenzie

SCHEDULE IV  
STRATTON CAPITAL MANAGEMENT, LTD.  
SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CUSTOMERS' REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS  
AS OF DECEMBER 31, 2005

As Stratton Capital Management, Ltd. does not carry customer accounts, this schedule is not applicable.



# RegenBenzMacKenzie

The Board of Directors  
Stratton Capital Management, Ltd.  
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of Stratton Capital Management, Ltd. 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 (SEC), we have made a study of the practices and procedures followed by Stratton Capital Management, Ltd. 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(a)(1) and for determining compliance with the exemptive provisions of rule 15c3-3. Because Stratton Capital Management, Ltd. 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 Stratton Capital Management, Ltd. in any of the following:

1. Making quarterly securities examination, 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 central of all fully paid and excess margin securities of customer or required by Rule 15c3-3.

The management of Stratton Capital Management, Ltd. 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 Stratton Capital Management, Ltd. 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.

REGEN, BENZ & MACKENZIE, C.P.A.'S, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

57 WEST 38TH STREET, NEW YORK, NEW YORK 10018  
TELEPHONE 212.661.2720 FACSIMILE 212.681.6140

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements could by 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 Stratton'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, 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 and should not be used by anyone other than these specified parties.

*Regen, Benz & MacKenzie, CPAs, P.C.*

New York, New York  
January 20, 2006

RegenBenzMacKenzie