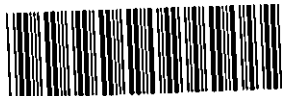


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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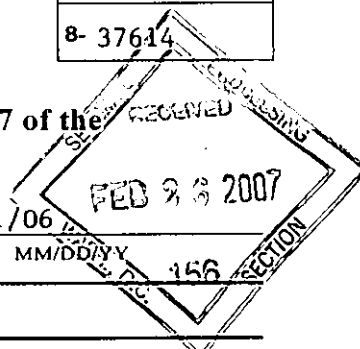
**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 37614

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 01/01/06 AND ENDING 12/31/06
MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CAPITAL ASSET ADVISORS, INC.

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

1029 FRIENDLY ROAD

(No. and Street)

OYSTER BAY, NEW YORK 11771

(City)

(State)

(Zip Code)

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

MARC STOLTZ (516) 222-9111

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GREENE, ARNOLD G., CPA

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

866 UNITED NATIONS PLAZA, N.Y. N.Y. 10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED

MAR 12 2007

FOR OFFICIAL USE ONLY

**THOMSON
FINANCIAL**

*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.

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OATH OR AFFIRMATION

I, MICHAEL BARNARD, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CAPITAL ASSET ADVISORS, INC., as of DECEMBER 31, 20 06, 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:

Michael Barnard
Signature

PRESIDENT

Title

Naim Ghazool 2/23/07
Notary Public

NAIM GHAZOOOL
NOTARY PUBLIC - STATE OF NEW YORK
NO. 01GH6106612
QUALIFIED IN SUFFOLK COUNTY
Commission Expires MARCH 8, 2008

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).

CAPITAL ASSET ADVISORS, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FORM X-17A-5

DECEMBER 31, 2006

CAPITAL ASSET ADVISORS, INC.

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DECEMBER 31, 2006

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ARNOLD G. GREENE

**CERTIFIED PUBLIC ACCOUNTANT
866 UNITED NATIONS PLAZA
NEW YORK, N.Y. 10017**

**(212) 751-6910
FAX (212) 751-6911**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Stockholders of

CAPITAL ASSET ADVISORS, INC.

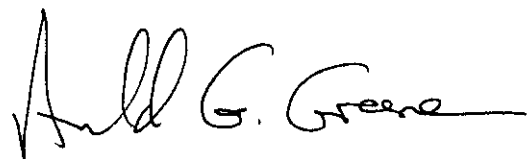
I have audited the accompanying statement of financial condition of Capital Asset Advisors, Inc. as of December 31, 2006, and the related statements of income and expense, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included 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, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Capital Asset Advisors, Inc. as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles, on a basis consistent with that of the preceding year.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information list in the table of contents 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 audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 21, 2007



CAPITAL ASSET ADVISORS, INC.
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2006

ASSETS

Current assets:

Cash	\$ 52,400
Receivables from brokers and dealers:	
Commissions receivable	25,664
Other receivables	19,500
Investments (NASD)	9,237
Other investment	40,273
Prepaid expenses	<u>1,687</u>

Total assets **\$148,761**

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accrued expenses payable	<u>\$ 11,994</u>
Total current liabilities	11,994

Stockholders' equity:

Common stock, no par value:	
authorized 200 shares;	
outstanding 200 shares.	\$ 200
Additional paid-in capital	64,300
Retained earnings	<u>72,267</u>
Total stockholders' equity	<u>136,767</u>

Total liabilities and stockholders' equity **\$148,761**

See notes to financial statements.

CAPITAL ASSET ADVISORS, INC.

STATEMENT OF INCOME AND EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenues:

Commissions	\$ 314,219
Other income	92,637
Interest	<u>883</u>
Total revenue	407,739

Expenses:

Salaries of voting stockholder officers	\$ 66,000
Commissions paid to other broker-dealers	87,565
Regulatory fees	1,160
Research	27,001
Consulting fees	12,850
Professional fees	9,025
Other expenses	<u>37,446</u>
Total expenses	<u>241,047</u>

Income before federal income tax	166,692
Less: federal income tax	<u>-0-</u>
Net income	<u>\$ 166,692</u>

See notes to financial statements.

CAPITAL ASSET ADVISORS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

Resources provided:

Net income	\$166,692
Decrease in other receivables	37,500
Increase in accrued expenses	<u>259</u>

Total resources provided **204,451**

Resources applied:

Increase in other investments	\$ 40,273
Increase in investments	5,937
Increase in receivables from brokers and dealers	18,994
Increase in other assets	49
Distributions	<u>117,000</u>

Total resources applied **182,253**

Increase in cash	22,198
Balance, January 1, 2006	<u>30,202</u>
Balance, December 31, 2006	<u>\$ 52,400</u>

See notes to financial statements.

CAPITAL ASSET ADVISORS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2006

Stockholders' equity, January 1, 2006	\$ 87,075
Add: Net income for the year	166,692
Less: Distributions	<u>(117,000)</u>
Stockholders' equity, December 31, 2006	<u>\$ 136,767</u>

STATEMENT OF CHANGES IN LIABILITIES

SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

FOR THE YEAR ENDED DECEMBER 31, 2006

Balance, January 1, 2006	\$ -0-
Increases and (decreases)	<u>-0-</u>
Balance, December 31, 2006	<u>\$ -0-</u>

See notes to financial statements.

CAPITAL ASSET ADVISORS, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Summary of significant accounting policies:

Income taxes:

The corporation has elected to be taxed as an 'S' Corporation. The net income or loss of the Company is passed through to the shareholder, and tax is then incurred by individual shareholders.

2. The following supplementary information is submitted:

Exemption from Rule 15c-3-3 is claimed under (K) (2) (b):

All customer transactions are cleared through other broker-dealers, Bear Stearns & Co.Inc., Muriel Siebert & Co. Inc., and Piper Jaffray & Co. on a fully disclosed basis.

3. Net capital requirements:

As a registered broker-dealer, the Company is subject to the SEC's Uniform Capital Rule 15c3-1. The rule requires that the company maintain minimum net capital, as defined, of 6.67% of aggregate indebtedness, as defined, or \$5,000, whichever is greater.

Net capital as reported on page 7 of the audited Form X-17A-5 indicated net capital of \$103,499. In January 2007, the corporation filed Part IIA of Form X-17A-5 (unaudited) and reported the same net capital of \$103,499.

CAPITAL ASSET ADVISORS, INC.

COMPUTATION OF NET CAPITAL

DECEMBER 31, 2006

Common stock		\$ 200
Additional paid-in capital		64,300
Retained earnings		<u>72,267</u>
		136,767
Less: non-allowable assets		<u>(33,118)</u>
	Tentative net capital	103,649
Less: Haircuts		<u>(150)</u>
	Net capital	103,499
Greater of:		
Minimum dollar net capital required	<u>\$ 5,000</u>	
or		
Minimum net capital required: (6 2/3% of aggregate indebtedness \$11,994)	<u>\$ 800</u>	<u>5,000</u>
	Excess net capital	<u>\$ 98,499</u>

AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses, etc.	<u>\$ 11,994</u>
Percentage of aggregate indebtedness to net capital	<u>12%</u>

See notes to financial statements.

CAPITAL ASSET ADVISORS, INC.

RECONCILIATION OF NET CAPITAL WITH FOCUS REPORT

DECEMBER 31, 2006

Net Capital per company's unaudited X-17A-5, Part IIA Filing (Focus Report)	\$103,499
Audit Adjustments	<u>-0-</u>
Net Capital per audited report, December 31, 2006	<u>\$103,499</u>

No material differences existed between the unaudited and audited net capital computation.

See notes to financial statements

ARNOLD G. GREENE

**CERTIFIED PUBLIC ACCOUNTANT
866 UNITED NATIONS PLAZA
NEW YORK, N.Y. 10017**

**(212) 751-6910
FAX (212) 751-6911**

ACCOUNTANT'S REPORT ON INTERNAL ACCOUNTING CONTROL

To the Board of Directors and Stockholders of

CAPITAL ASSET ADVISORS, INC.

I have examined the financial statements of Capital Asset Advisors, Inc. the year ended December 31, 2006 and have issued my report thereon dated February 21, 2007. As part of the examination, I made a study and evaluation of the system on internal accounting control to the extent I considered necessary to evaluate the system required by the generally accepted auditing standards and Rule 17A-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, the procedures of safeguarding securities, and the practices and procedures followed by the client (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17A-3 (a) (11), the broker is exempt from compliance with Rule 15c3-3, and was in compliance with the conditions of the exemption, and no facts came to my attention indicating that such conditions had not been complied with during the year (ii) the broker does not maintain customer accounts nor handle securities, and I have reviewed the broker's practices for safeguarding securities that may be received by the broker for transmittal to a clearing organization. Rule 17A-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the date of my examination would be disclosed. Under generally accepted auditing standards and Rule 17A-5, the purpose of such study and evaluation are to establish a basis for reliance thereon in procedures necessary for expressing an opinion of the internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition and concerning the reliability of financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimated and judgments by management. However, for the purposes of this report under Rule 17A-5, the determination of weakness to be reported was made without considering the practicability of corrective action by management within the framework of a cost/benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates, projection or any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the year ended December 31, 2006 which was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system that may have existed during the period, disclosed no weaknesses that I believe to be material.



February 21, 2007

END