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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-43789

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 (MM/DD/YY) AND ENDING 12/31/06 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: D.H. Blair Investment Banking Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

44 Wall Street
(No. and Street)

New York (City) NY (State) 10005 (Zip Code)

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

Gilbert Jackson 212-495-4105
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Raich Ende Malter & Co. LLP
(Name – if individual, state last, first, middle name)

1375 Broadway, 15th Floor (Address) New York City (City) NY (State) 10018 (Zip Code)

CHECK ONE:

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

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THOMSON FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Gilbert Jackson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of D.H. Blair Investment Banking Corp. as of December 31, 2006, 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

CFO

Title

JONATHAN D. TURKEL
Notary Public, State of New York
No. 02TU5055127
Qualified In New York County
Commission Expires February 5, 2010

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).*

D.H. BLAIR INVESTMENT BANKING CORP.

Financial Statements

December 31, 2006

D.H. BLAIR INVESTMENT BANKING CORP.

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December 31, 2006

ICH
DE
LTER & CO. LLP
IFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
D.H. Blair Investment Banking Corp.
New York, New York

We have audited the accompanying statement of financial condition of D.H. Blair Investment Banking Corp. as of December 31, 2006, 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 D.H. Blair Investment Banking Corp. as of December 31, 2006, 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 accompanying supplementary information 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 of 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.

Raich Ende Malter & Co LLP

RAICH ENDE MALTER & CO. LLP
New York, New York
February 28, 2007

D.H. BLAIR INVESTMENT BANKING CORP.

Statement of Financial Condition
December 31, 2006

ASSETS	
Cash and cash equivalents	$ 691,104
Receivables from affiliates and other related parties	46,747,838
Receivables from officers, directors, and employees	2,918,729
Receivables from others	5,027,605
Securities owned:	
Marketable - at market value	26,905,165
Not readily marketable - at estimated fair value	2,792,462
Equipment, fixtures, and improvements - net of accumulated depreciation and amortization of $1,875,953	11,175
Other	4,484,697
	$ 89,578,775
LIABILITIES AND STOCKHOLDER'S EQUITY	
Liabilities	
Accounts payable and accrued expenses	$ 161,664
Payable to brokers	3,909,758
Other	434,782
	4,506,204
Stockholder's Equity	
Common stock - $.01 par value - 200 shares authorized, 100 shares issued and outstanding	1
Additional paid-in capital	70,639,337
Retained earnings	14,433,233
	85,072,571
	$ 89,578,775

See notes to financial statements.

D.H. BLAIR INVESTMENT BANKING CORP.

Statement of Income
For the Year Ended December 31, 2006

Revenues	
Gain on firm principal trading - net	$ 1,487,769
Interest and dividend income, including $2,468,401 from affiliates	3,239,137
Investment banking income	559,250
Miscellaneous income	363,276
	5,649,432
Expenses	
Employee compensation and benefits	1,497,460
Payroll taxes	69,573
Floor brokerage	149,713
Regulatory fees and expenses	19,934
Occupancy costs - rent and other charges	501,424
Consulting and professional fees	283,295
Bad debt	162,185
Margin interest	403,149
Other	667,013
	3,753,746
Income Before Depreciation, Amortization, and Income Taxes	1,895,686
Depreciation and Amortization	3,193
Income before provision for income taxes	1,892,493
Current Income Taxes	589,431
Net Income	$ 1,303,062

See notes to financial statements.

D.H. BLAIR INVESTMENT BANI

Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance - beginning of year as previously reported	$ 1	$ 70,639,337	$ 20,312,371	$ 90,951,709
To adjust for dividend declared	-	-	(5,662,544)	(5,662,544)
Balance - beginning of year, as restated as restated	1	70,639,337	14,649,827	85,289,165
Net Income	-	-	1,303,062	1,303,062
Dividend	-	-	(1,519,656)	(1,519,656)
Balance - end of year	$ 1	$ 70,639,337	$ 14,433,233	$ 85,072,571

See notes to financial statements.

D.H. BLAIR INVESTMENT BANKING CORP.

Statement of Cash Flows
For the Year Ended December 31, 2006

Cash Flows From Operating Activities	
Net income	$ 1,303,062
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,193
Increase in bad debts related to uncollectible loan receivable	162,185
Changes in operating assets and liabilities:	
Decrease in:	
Securities owned - at market value	2,243,830
Investments not readily marketable - at fair value	918,063
Other	14,282
(Decrease) increase in:	
Accounts payable and accrued expenses	(100,541)
Payable to brokers	18,065
Other	434,782
	4,996,921
Cash Flows From Investing Activities	
Advances to affiliates and other related parties	(2,165,989)
Advances to officers, directors, and employees	(817,568)
Advances to others	(2,341,854)
	(5,325,411)
Cash Flows From Financing Activities	
Distributions	(1,519,656)
(Decrease) in Cash and Cash Equivalents	(1,848,146)
Cash and Cash Equivalents - beginning of year	2,539,250
Cash and Cash Equivalents - end of year	$ 691,104

Supplemental Cash Flow Information	
Cash paid during the year for:	
Margin interest	$ 403,149
Income taxes	$ 489,404

See notes to financial statements.

1 - ORGANIZATION AND BUSINESS

D.H. Blair Investment Banking Corp. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC"). The Company is a member of the New York Stock Exchange ("NYSE") and the National Association of Securities Dealers, Inc. ("NASD").

The Company's principle operations are investment banking, private investment activities including equity and debt transactions, proprietary trading in firm principal investments, floor brokerage merchant banking. Transactions related to publicly traded equity and debt securities are cleared through other broker/dealers (the "Clearing Brokers") on fully disclosed basis and, therefore, the Company is exempt from SEC Rule 15c3-3.

The Company was incorporated on April 5, 1991 under the laws of the State of New York.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Cash Equivalents*** - For purposes of the Statement of Cash Flows, the Company considers all short term debt securities purchased with a maturity of three months or less as well as money market funds to be cash equivalents.

b. ***Financial Instruments*** - Purchases and sales of securities and the related revenues and expenses are recorded on a trade-date basis.

Securities owned and securities sold, but not yet purchased, are valued at quoted market price or at management's estimate of fair value for certain positions for which there is a limited market, with related unrealized gains and losses included in principal transactions.

Investments in private companies for which the Company has influence but does not benefit from the processes, products or services and does not participate in the management are not consolidated nor accounted for under the equity method. Private investments are valued using methods determined in good faith by management after consideration of all relevant information, including original cost, private market values, operating results and financial position. The related gains and losses on investments are included in principal transactions. Management estimates of fair value may differ from the eventual realizable value of the underlying securities, which may fluctuate over time in light of business and economic conditions and the financial leverage of the issuer. These differences may be material.

Dividends earned and dividends paid on securities sold, but not yet purchased, are recognized on the ex-dividend date and interest is recognized on the accrual basis.

c. ***Revenue Recognition*** - Commissions on trades executed on behalf of customers related to securities traded on exchanges registered with the SEC or whose prices are reported by the NASDAQ are recorded on a trade date basis as required by accounting principles generally accepted in the United States of America. Commissions earned from other trading activities are recorded as transactions when closed between buyers and sellers.

d. ***Depreciation and Amortization*** - Equipment, fixtures and improvements are stated at cost. Maintenance and repairs which do not improve or extend the life of an asset are expensed. Equipment, fixtures and improvements are depreciated using the straight-line and accelerated methods over estimated useful lives of five to seven years.

e. ***Income Taxes*** - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled or recovered. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

f. ***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 - PAYABLES TO BROKERS

The clearing and depository operations for the Company's and customers' securities transactions are provided by the Clearing Brokers pursuant to a clearance agreement.

The payable to Clearing Brokers at December 31, 2006 includes amounts owed on margin accounts.

4 - RECEIVABLE FROM AFFILIATES AND OTHER RELATED PARTIES

Receivables from affiliates and other related parties as of December 31, 2006 consist of:

Lawrence Ventures III LLC	$ 35,395,813
Parties related to officers and directors	8,223,818
Accrued interest	3,128,207
	$ 46,747,838

Loan receivables from affiliates include a $35,372,975 million demand loan at 6% and a $22,838 demand loan at 6.5%, both receivable from Lawrence Ventures, LLC ("Lawrence"), an affiliated entity substantially owned by the stockholder of the Company. Lawrence's sole business is an investment in Diablo Grande Limited Partnership ("Diablo"), whose sole asset is a real estate project in central California. The $35,372,975 million loan is convertible, at any time and at the option of the Company, into approximately 68% fully diluted equity interest in Lawrence.

5 - RECEIVABLES FROM OFFICERS, DIRECTORS, AND EMPLOYEES

The Company has advanced funds to certain officers, directors and employees. The advances are made on a short-term basis and do not bear interest. At December 31, 2006, the receivable from officers, directors and employees is $2,918,729.

6 - Securities Owned

Marketable securities owned consist of Corporate equity securities at market values.

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

During the year, the Company sold certain private equity securities for which were not fully paid. Therefore, as of December 31, 2006, the Company recorded a liability in the amount of $434,782 relating to the original purchase of these securities.

7 - Financial Instruments and Related Risks

Securities owned at December 31, 2006 consist of both marketable equity securities and not readily marketable securities.

In the normal course of its business, the Company trades various financial instruments and enters into various financial transactions where the risk of potential loss due to changes in the market (market risk) exceeds the related amounts recorded.

The Company executes financial futures contracts to limit its risk. Derivative financial instruments derive their value based upon an underlying asset, index or reference rate. These instruments are subject to various risks similar to non-derivative financial instruments including market, credit liquidity and operational risks. The Company's open futures positions are based on quoted market prices. The net trading loss is treated as a component of principal transactions.

The Company's securities transactions are cleared with clearing brokers pursuant to clearance agreements and customer agreements. The Company is subject to credit risk at December 31, 2006, as securities owned, primarily all investments at fair value and balances due from the clearing broker and the customer account broker, reflected on the statement of financial condition, are securities, investments and cash balances held by such brokers, which act as custodians.

8 - Commitments and Contingencies

The Company leases its premises pursuant to a lease expiring on June 30, 2009. Under the terms of the lease, the Company is obligated to pay escalation charges for certain of the landlord's operating expenses and real estate taxes. Minimum future rental payments to be made by the Company are as follows:

Years Ending December 31,	
2007	$ 400,410
2008	400,410
2009	200,205
	$ 1,001,025

The rent expense for the year ended December 31, 2006 was approximately $400,000.

The Company maintains cash balances at a financial institution subject to Federal Deposit Insurance Corporation ("FDIC") regulations. At times, amounts on deposit exceed the FDIC insurance limit of $100,000. As of December 31, 2006, the Company's cash balances on deposit exceed insured limits by $650,231.

9 - PRIOR PERIOD ADJUSTMENT

Retained earnings as of January 1, 2006 has been restated as a result of an adjustment related to a reclassification of certain payments in the aggregate amount of $5,662,544 made to the stockholder of the Company during 2005 and prior periods. The Board of Directors approved the reclassification of these payments as a dividend to the shareholder effective as of December 31, 2005. The effect of this adjustment is to reduce previously reported retained earnings as of December 31, 2005 by the amount of $5,662,544.

10 - NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule l5c3-1), which requires the maintenance of minimum net capital as defined. At December 31, 2006, the Company had net capital of $13,243,035, which was $12,993,035 above its required net capital of $250,000.

11 - INCOME TAXES

The difference between the income tax expense and the tax computed by applying the statutory federal income tax rate (34%) to income before income tax is primarily attributable to state and local taxes and reversal of the prior year valuation allowance for deferred tax assets. The current state and local tax expense consists of taxes on capital.

The Company has a net operating loss ("NOL") carryforward of approximately $11.8 million for federal and $10.2 million for state and local tax purposes and a capital loss carryforward of approximately $37.5 million. The NOL and capital loss carryforwards expire in various amounts from 2007 to 2024.

The temporary differences that give rise to the Company's deferred tax asset relate to net operating loss and capital loss carryforwards. The deferred tax liability arises from unrealized gains on securities owned.

Due to the uncertainty of future realization of the net tax benefits related to the deferred tax asset in excess of the deferred tax liability, a valuation allowance of $3.6 million has been established. Therefore, the net deferred tax asset at December 31, 2006 is valued at $0. During the year ended December 31, 2006, the valuation allowance decreased by $3.6 million.

D.H. BLAIR INVESTMENT BANKING CORP.

Supplementary Information - Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2006 — *Schedule I*

COMPUTATION OF NET CAPITAL	
Total Stockholder's Equity Qualified For Net Capital	$ 85,072,571
Deductions:	
Non-allowable assets - assets not readily convertible to cash:	
Equipment, fixtures, and improvements - net book value	11,175
Receivables from non-customers	54,694,172
Securities not readily marketable	2,792,462
Other	4,484,697
Other charges:	
Market blockage	3,553,993
Capital charge broker bond	35,000
	65,571,499
Net Capital Before Haircuts	19,501,072
Haircuts on Securities	
All other securities	3,502,676
Undue concentration	2,755,346
Other	15
	6,258,037
Net Capital	13,243,035
Net Capital Requirement	250,000
Net Capital in Excess of Requirement	$ 12,993,035

The provisions of Rule 15c3-3 are not applicable to the Company as of December 31, 2006 in accordance with Rule 15c3-3(k)(2)(ii).

RECONCILIATION OF COMPUTATION OF NET CAPITAL

Net capital, per FOCUS Report, Part IIA	$ 12,735,926
(i) Reclassification of securities included in non-allowable assets resulting in increase in allowable assets	628,630
(ii) Increase in accrued expenses	(121,521)
Net Capital, as defined, per Schedule I	$ 13,243,035

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Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

To the Board of Directors
D.H. Blair Investment Banking Corp.

In planning and performing our audit of the financial statements of D.H. Blair Investment Banking Corp. (the Company), as of and for the year ended December 31, 2006, 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 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.

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.

To the Board of Directors
D.H. Blair Investment Banking Corp.
Page Two

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 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 weakness. We did not identify any 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 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 the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD, 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 and should not be used by anyone other than these specified parties.

Raich Ende Malter & Co LLP

RAICH ENDE MALTER & CO. LLP
New York, New York
February 28, 2007

END