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

SEC FILE NUMBER

8-17103

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 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Davenport & Company LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

901 East Cary Street, 11th Floor

Richmond (No. and Street) Virginia 23219
(City) (State) (Zip Code)

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

Robert F. Mizell (804) 780-2089
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

1021 East Cary Street, Suite 2000 Richmond Virginia 23219
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

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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).

31408

OATH OR AFFIRMATION

I, Robert F. Mizell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Davenport & Company LLC as of December 31, 2007, 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.



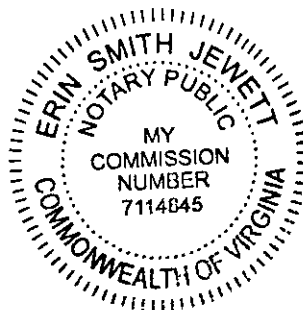
Signature

Chief Financial Officer, Executive Vice
President

Title



Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A 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).**

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**
Consolidated Statements of Financial Condition
December 31, 2007 and 2006

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Directors
Davenport & Company LLC:

We have audited the accompanying consolidated statements of financial condition of Davenport & Company LLC and subsidiary (the Company) as of December 31, 2007 and 2006 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These consolidated statements of financial condition are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 statements of financial condition are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated statements of financial condition referred to above present fairly, in all material respects, the financial position of Davenport & Company LLC and subsidiary as of December 31, 2007 and 2006 in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 22, 2008

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Consolidated Statements of Financial Condition

December 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents (note 11)	\$ 5,258,782	7,999,428
Cash segregated under federal and other regulations (note 3)	2	2
Deposits with clearing organizations and others	1,760,112	889,003
Receivable from broker-dealers and clearing organizations (note 4)	393,462	384,873
Receivable under securities borrowed agreements (note 11)	1,314,000	4,995,600
Receivable from customers (note 5)	61,224,730	55,116,769
Receivable from noncustomers (note 5)	7,406,369	4,119,153
Securities owned (notes 6 and 12):		
Marketable, at market value	11,620,236	12,488,993
Not readily marketable, at estimated fair value	2,311,683	2,687,743
Furniture, equipment, software, and leasehold improvements, at cost (less accumulated depreciation and amortization of \$10,239,642 in 2007 and \$9,619,274 in 2006) (note 7)	2,373,207	1,886,366
Prepaid expenses and other assets	8,005,476	6,952,766
	<u>\$ 101,668,059</u>	<u>97,520,696</u>
Liabilities and Members' Interest		
Short-term bank loans (note 8)	\$ 7,210,000	13,555,000
Drafts payable	15,685,884	12,343,134
Members' distribution payable	—	5,026,866
Payable to broker-dealers and clearing organizations (note 4)	3,492,684	2,898,647
Payable to customers (notes 5 and 11)	28,671,904	24,889,661
Payable to noncustomers (note 5)	70,244	42,642
Securities sold, not yet purchased, at market value (note 6)	47,122	103,892
Accounts payable, accrued expenses, and other liabilities	9,100,518	8,193,182
	64,278,356	67,053,024
Members' interest	37,389,703	30,467,672
Commitments and contingent liabilities (notes 6, 11, 12, and 13)		
	<u>\$ 101,668,059</u>	<u>97,520,696</u>

See accompanying notes to consolidated statements of financial condition.

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(1) Organization and Nature of Business

Davenport & Company LLC (the Company) is a broker-dealer registered under the Securities Exchange Act of 1934 and an investment adviser registered under the Investment Advisers Act of 1940. The Company is a member of the New York Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. The Company is a limited liability company organized under the laws of the Commonwealth of Virginia. The Company is owned by Davenport & Company of Virginia, Inc., Davenport Corp., and DAVA Corp. (collectively, the Members) who have membership interests of 73%, 18%, and 9%, respectively. The liability of each Member is limited to the balances in each Member's capital account. The Company will continue indefinitely, unless dissolved earlier pursuant to the terms of the operating agreement of the Company.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, and investment advisory services. All material intercompany balances and transactions are eliminated in consolidation.

(b) Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(c) Fair Value

Cash and cash equivalents, cash segregated under federal and other regulations, securities owned, and securities sold, not yet purchased are carried at fair value.

Receivables from brokers-dealers and clearing organizations, receivable under securities borrowed agreements, receivable from customers, receivable from noncustomers, short-term bank loans, drafts payable, to brokers-dealers and clearing organizations, payable to customers, payable to noncustomers are recorded at their carrying amounts which approximate fair value. The fair value of these items is not materially sensitive to shifts in market interest rates because of the limited term to maturity and/or variable interest rates of many of these instruments.

(d) Securities Transactions

Proprietary securities transactions in regular way trades are recorded on the settlement date, which is not materially different from the trade date.

Marketable securities are valued at fair value as determined by market quotes, except for not readily marketable securities, which are valued at estimated fair value as determined by management.

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(e) Collateral

The Company reports assets it has pledged as collateral in secured borrowing and other arrangements when the secured party cannot sell or repledge the assets or the Company can substitute collateral or otherwise redeem it on short notice.

(f) Income Taxes

Income taxes are not reflected in the accompanying consolidated financial statements as the responsibility for income taxes is that of the Members and not of the Company.

(g) Furniture, Equipment, Software, and Leasehold Improvements

The Company records depreciation and amortization on the straight line method based on estimated useful lives of two years for software and the related software licenses, four years for quotation equipment, six years for data processing and communications equipment, and ten years for furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the terms of the related leases.

(h) Drafts Payable

Drafts payable represent amounts drawn by the Company against a bank.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Recently Issued Accounting Standards

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement*. Statement No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. Statement No. 157 does not require any new fair value measurements but may change current practice for some entities in calculating fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those years. The Company does not expect the implementation of Statement No. 157 to have a material impact on its consolidated financial statements.

(k) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Cash Segregated under Federal and Other Regulations

Cash of \$2 at December 31, 2007 and 2006 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission (SEC).

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(4) Receivable from and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2007 and 2006, consisted of the following:

		2007	
		<u>Receivable</u>	<u>Payable</u>
Securities failed to deliver/receive	\$	148,713	282,618
Amounts receivable from/payable to clearing broker		—	1,501,046
Amounts receivable from/payable to clearing organizations		244,749	1,631,577
Other		—	77,443
	\$	<u>393,462</u>	<u>3,492,684</u>

		2006	
		<u>Receivable</u>	<u>Payable</u>
Securities failed to deliver/receive	\$	383,166	1,684,739
Amounts receivable from/payable to clearing broker		—	379,138
Amounts receivable from/payable to clearing organizations		—	579,114
Other		1,707	255,656
	\$	<u>384,873</u>	<u>2,898,647</u>

The Company clears certain of its transactions through another broker-dealer on an omnibus basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by securities owned by the Company.

(5) Receivables From and Payable to Customers and Noncustomers

Amounts receivable from and payable to customers and noncustomers (principally directors of the Company) include amounts due on cash and margin transactions. Securities owned by customers and noncustomers are held as collateral for receivables. Such collateral is not reflected in the consolidated financial statements and may be repledged by the Company. See further discussion of collateral at note 8 and 11.

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(6) Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased, consisting of trading and investment securities at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Owned:		
Marketable securities, at market value:		
State and municipal obligations (primarily located in the Commonwealth of Virginia)	\$ 10,729,976	10,487,954
U.S. Government agency obligations	842,137	757,144
Corporate bonds	409	446,865
Corporate stocks	47,714	797,030
	<u>11,620,236</u>	<u>12,488,993</u>
Not readily marketable securities, at estimated fair value	<u>2,311,683</u>	<u>2,687,743</u>
	<u>\$ 13,931,919</u>	<u>15,176,736</u>
Sold, not yet purchased at market value – corporate stocks	\$ 47,122	103,892

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.

On March 7, 2006, the New York Stock Exchange (NYSE) and Archipelago Holdings, Inc. completed a series of mergers (the Merger) and became wholly owned subsidiaries of NYSE Group, Inc (NYX). As a result, the Company no longer owns membership interests (previously known as seats) in the NYSE. Instead of owning seats, the Company acquired a trading license which was effective for the remainder of 2006 and 2007. The NYSE will conduct future auctions for such licenses each year hereafter, with the price to be determined in accordance with that process.

In conjunction with the Merger, the Company received shares of NYX (restricted for up to three years) in exchange for its seat formerly owned. During May of 2006, the Company offered for sale approximately 54,829 of its restricted NYX shares into a secondary public offering dated May 10, 2006. The offering proceeds were \$61.50 per share less underwriters' fees of \$1.23 per share for an aggregate value of approximately \$3.3 million.

The Company had 28,233 remaining restricted shares as of December 31, 2007, that had a carrying value of approximately \$2.3 million. The Company marks its NYX holdings to market and then applies a discount to that value for illiquidity due to transfer restrictions. The remaining shares of NYX owned are reflected in "Securities Owned – Not Readily Marketable" in the consolidated statement of financial condition at December 31, 2007.

**DAVENPORT & COMPANY LLC
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Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(7) Furniture, Equipment, Software, and Leasehold Improvements

Furniture, equipment, software, and leasehold improvements are summarized as follows:

	<u>2007</u>	<u>2006</u>
Furniture	\$ 3,469,677	3,282,936
Equipment	3,645,967	3,059,412
Software	2,743,430	2,729,091
Leasehold improvements	<u>2,753,775</u>	<u>2,434,201</u>
	12,612,849	11,505,640
Less accumulated depreciation	<u>10,239,642</u>	<u>9,619,274</u>
Total furniture, equipment, software, and leasehold improvements, net	<u>\$ 2,373,207</u>	<u>1,886,366</u>

(8) Short-Term Bank Loans

Short-term bank loans are used to finance loans to customers and noncustomers who have purchased securities under margin agreements and to finance trading and investment securities. These loans are generally made at the short-term collateralized borrowing rate (4.51% and 5.75% at December 31, 2007 and 2006, respectively) and are payable on demand. In addition, the Company has a \$1 million unsecured line of credit with a commercial bank.

Short-term bank loans and related collateral outstanding at December 31, 2007 and 2006 were as follows:

	<u>Loans</u>		<u>Collateral</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Collateralized by company securities	\$ 6,670,000	10,335,000	9,436,454	10,340,432
Collateralized by customer securities	—	365,000	10,298,432	29,359,370
Collateralized by noncustomer securities	440,000	2,755,000	6,415,861	2,756,676
Unsecured line of credit	<u>100,000</u>	<u>100,000</u>	<u>—</u>	<u>—</u>
	<u>\$ 7,210,000</u>	<u>13,555,000</u>	<u>26,150,747</u>	<u>42,456,478</u>

(9) Subordinated Borrowings

The Company has approval from the NYSE for a Revolving Note and Cash Subordination Agreement (the Agreement) with a bank for up to \$7,500,000. There were no amounts outstanding under the Agreement at December 31, 2007 or 2006, respectively.

The subordinated borrowings are available in computing net capital under the SEC's Uniform Net Capital Rule (Rule 15c3-1). To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

**DAVENPORT & COMPANY LLC
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Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

(10) Securities Borrowing Activities

Securities borrowed are generally reported as collateralized financing transactions and are recorded in the accompanying consolidated Statement of Financial Condition at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash with the lender. The Company monitors the market value of securities borrowed on a daily basis, with additional collateral obtained or refunded as necessary.

Cash deposited with lenders under securities borrowing agreements totaled \$1,314,000 and \$4,995,600 at December 31, 2007 and 2006, respectively. The fair value of the underlying securities used by the Company primarily to effectuate short sales made by customers approximated \$1,292,000 and \$4,851,000 at December 31, 2007 and 2006, respectively.

(11) Financial Instruments

The financial instruments of the Company are reported in the consolidated statements of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

In the normal course of its business, the Company enters into various transactions involving off-balance-sheet financial instruments. These financial instruments include the purchase and sale of securities pursuant to new issuances. These transactions are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the consolidated financial statements at the market values of the related securities and will incur a loss if the market value of the securities increases subsequent to year-end.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transaction may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition

December 31, 2007 and 2006

daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

The Company has a concentration of credit risk in the Commonwealth of Virginia since a significant portion of its customer base resides in that state. This is mitigated through the Company's policy of maintaining custody of collateral for all of its margin account customers in accordance with various regulatory and internal guidelines.

(12) Commitments and Contingencies

The Company leases its office space and certain office equipment and software under operating leases expiring at various dates through 2015. Minimum future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2007 are as follows:

2008	\$	3,207,970
2009		3,017,175
2010		2,913,990
2011		2,669,513
2012		1,931,114
2013 and thereafter		<u>787,866</u>
Total minimum lease payments	\$	<u>14,527,628</u>

The Company is a party to certain legal and regulatory actions arising in the normal course of business. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various actions will not result in any material adverse effects on the consolidated financial position, results of operations, or liquidity of the Company.

(13) Variable Interest Entities (VIEs)

Under the provisions of Financial Accounting Standards Board Interpretation (FIN) No. 46(R), the Company has determined that two entities in which it is the managing member meet the definition of a VIE. However, after further guidance and analysis on the application of FIN 46(R), the Company is not the primary beneficiary of these entities and accordingly, does not consolidate its financial interest in these entities. The entities are limited liability companies, which invest in marketable securities. These limited

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Notes to Consolidated Statements of Financial Condition
December 31, 2007 and 2006

liability companies have assets of approximately \$93,700,000 and \$68,600,000 at December 31, 2007 and 2006, respectively. The Company has no exposure to loss as it has no capital invested in the entities. Management fees received by the Company from these entities were approximately \$2,041,000 and \$1,836,000 for the years ended December 31, 2007 and 2006, respectively.

(14) Net Capital Requirements and Capital Redemption Agreement

The Company is subject to the SEC Rule 15c3-1 and the New York Stock Exchange, Inc., which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company and its subsidiary maintain minimum net capital, as defined, equal to the greater of \$1,500,000 or 2% of aggregate debit balances arising from customer transactions. The net capital rules also provide that equity capital may not be withdrawn or cash distributions paid if resulting net capital would be less than 5% of aggregate debits. At December 31, 2007, the Company's net capital, as defined, of \$23,851,399 was 39% of aggregate debit balances and was \$22,351,399 in excess of the minimum net capital required. At December 31, 2006, the Company's net capital, as defined, of \$17,715,839 was 30% of aggregate debit balances and was \$16,215,839 in excess of the minimum net capital required.

The Members have agreements with holders of all their outstanding common stock, whereby the Members are required to repurchase the stock in the event of the stockholder's death or retirement. The Company has agreements with the Members, whereby it will distribute to the Members capital sufficient for the Members to complete the redemption, subject to compliance with the rules of the New York Stock Exchange, Inc. The purchase price for such shares and the related units of the Company are determined by the Members' boards of directors and the Company's board of managers, respectively.

During the years ended December 31, 2007 and 2006, cash distributions of Members' interests were as follows:

	<u>2007</u>	<u>2006</u>
Income accumulated in prior year distributed to members during the current year	\$ 5,026,866	5,228,538
Income accumulated in the current year distributed to members during the current year	5,442,235	6,696,983
Repurchase of members' units for redemption of Members' common stock	<u>1,153,951</u>	<u>1,904,645</u>
Total cash distributions of Members' interest	<u>\$ 11,623,052</u>	<u>13,830,166</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17A-5**

February 22, 2008



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

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

The Board of Directors
Davenport & Company LLC:

In planning and performing our audit of the consolidated financial statements of Davenport & Company LLC and subsidiary (the Company) as of and for the year ended December 31, 2007, 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 purposes of expressing our opinion on the consolidated 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 compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13
3. 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of 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 U.S. 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.

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 U.S. 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 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, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, the Financial Industry Regulatory Authority, 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 to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 22, 2008

END