

**DAVENPORT & COMPANY LLC
AND SUBSIDIARY**

Unaudited Mid-Year Consolidated Statement of Financial Condition

June 30, 2009

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Assets	2009
Cash and cash equivalents (notes 1 and 11)	\$ 2,102,097
Cash segregated under federal and other regulations (note 3)	2
Deposits with clearing organizations and others	2,570,428
Receivable from broker-dealers and clearing organizations (note 4)	224,342
Receivable under securities borrowed agreements (note 11)	45,000
Receivable from customers (note 5)	52,758,852
Receivable from non-customers (note 5)	1,996,472
Securities owned (notes 6 and 12):	
Marketable, at market value	13,013,081
Not readily marketable, at estimated fair value	79,492
Furniture, equipment, software and leasehold improvements, at cost (less accumulated depreciation and amortization of \$11,282,838 in 2009) (note 7)	2,881,711
Prepaid expenses and other assets	11,378,863
	<u>\$ 87,050,340</u>
Liabilities and Members' Interest	
Short-term bank loans (note 8)	\$ 6,725,000
Drafts payable	5,058,877
Payable to broker-dealers and clearing organizations (note 4)	742,790
Payable to customers (notes 5 and 11)	20,537,133
Payable to non-customers (note 5)	354,209
Securities sold, not yet purchased, at market value (note 6)	155,181
Accounts payable, accrued expenses and other liabilities	11,631,599
	<u>45,204,789</u>
Members' interest	41,845,551
Commitments and contingent liabilities (notes 6, 11, 12 and 13)	
	<u>\$ 87,050,340</u>

See accompanying notes to consolidated statement of financial condition.

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(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 70%, 18%, and 12%, 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. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are also recorded on the settlement date, which is not materially different from the trade date. Customers' securities transactions and related

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commission income and expense are reported on a settlement date basis, unless the effect is materially different than a trade-date basis.

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.

(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) Investment Banking

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger and acquisition and financial restructuring advisory services from financial advisor fees related to services provided to tax-exempt issues. Investment banking management fees are recorded on the settlement date. Also, sales concessions are recorded on settlement date and underwriting fees are recognized at the time the underwriting is completed and the income is reasonably determinable.

(g) Investment Advisory Services

Fee income for investment advisory services is recorded on the accrual basis based on the market value of managed assets. Fees are computed and collected quarterly based upon fee schedules and average month-end portfolio values.

(h) 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.

(i) 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.

(j) Drafts Payable

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

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(k) 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.

(l) 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.

(m) 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 June 30, 2009 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).

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

Amounts receivable from and payable to broker-dealers and clearing organizations at June 30, 2009 consisted of the following:

	2009	
	Receivable	Payable
Securities failed to deliver/receive	\$ 201,272	512,727
Amounts receivable from/payable to clearing broker	—	26,901
Amounts receivable from/payable to clearing organizations	23,070	203,160
Other	—	2
	\$ 224,342	742,790

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.

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(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 12.

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

Securities owned and securities sold, not yet purchased, consisting of trading and investment securities at June 30, 2009 are as follows:

	2009	2008
Owned:		
Marketable securities, at market value:		
State and municipal obligations (primarily located in the Commonwealth of Virginia)	\$ 11,445,196	11,006,644
U.S. Government agency obligations	—	—
Corporate bonds	774,772	1,219,989
Corporate stocks	793,113	1,007,068
	13,013,081	13,233,701
Not readily marketable securities, at estimated fair value	79,492	1,422,844
	\$ 13,092,573	14,656,545
Sold, not yet purchased at market value – corporate stocks	\$ 155,181	5,062

On January 1, 2008, the Company adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*. The fair values of the financial instruments shown in the above table as of June 30, 2009 represent management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, 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 and the fair value measurements reflect estimates provided by independent sources which are evaluated by management.

Statement 157 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 inputs are unobservable inputs.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2009:

	Fair value measurements at reporting date using			
	June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Trading Securities:				
State and municipal obligations	\$ 11,445,196	—	11,445,196	—
U.S. Government agency obligations	—	—	—	—
Corporate bonds	774,772	—	774,772	—
Corporate stocks	872,605	793,113	79,492	—
Total	\$ 13,092,573	793,113	12,299,460	—

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

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

		<u>2009</u>
Furniture	\$	3,653,336
Equipment		4,525,813
Software		2,764,783
Leasehold improvements		<u>3,220,617</u>
		14,164,549
Less accumulated depreciation		<u>11,282,838</u>
Total furniture, equipment, software, and leasehold improvements, net	\$	<u><u>2,881,711</u></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 (0.68% at June 30, 2009) and are payable on demand. In addition, the Company has a \$1 million unsecured line of credit with a commercial bank. The interest rate on this line of credit is prime (3.25% at June 30, 2009) and any borrowings are payable upon demand.

Short-term bank loans and related collateral outstanding at June 30, 2009 were as follows:

	<u>Loans</u>	<u>Collateral</u>
	<u>2009</u>	<u>2009</u>
Collateralized by company securities	\$ 6,625,000	9,313,359
Collateralized by customer securities	—	—
Collateralized by noncustomer securities	—	—
Unsecured line of credit	<u>100,000</u>	<u>—</u>
	<u>\$ 6,725,000</u>	<u>9,313,359</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 at prime (3.25% at June 30, 2009) + 1%. The Company must pay a commitment fee of 1/8% for any unused portion of the Agreement. There were no amounts outstanding under the Agreement at June 30, 2009.

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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.

(10) Employee Benefit Plans

The Company has a defined contribution profit sharing plan and a 401(k) plan covering substantially all employees. Contributions to the profit sharing plan are made solely at the discretion of the board of managers. Participants in the 401(k) plan are allowed to make tax deferred contributions under section 401(k) of the Internal Revenue Code and requires the Company to make a "Safe Harbor" contribution to the plan equal to 3% of compensation.

(11) 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 \$45,000 at June 30, 2009. The fair value of the underlying securities used by the Company primarily to effectuate short sales made by customers approximated \$44,046 at June 30, 2009.

(12) 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.

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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 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.

(13) Commitments and Contingencies

The Company leases its office space and certain office equipment and software under operating leases expiring at various dates through 2019. Minimum future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2009 are as follows:

2009	\$	1,428,204
2010		3,443,759
2011		3,348,975
2012		3,066,925
2013		2,125,669
2014 and thereafter		<u>2,457,500</u>
Total minimum lease payments	\$	<u><u>15,871,032</u></u>

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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.

(14) 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 liability companies have assets of approximately \$62,262,000 at June 30, 2009. The Company has no exposure to loss as it has no capital invested in the entities.

(15) 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 June 30, 2009, the Company's net capital, as defined, of \$23,453,073 was 45% of aggregate debit balances and was \$21,953,073 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.

