



JANUARY 2008

A Message to Our Clients

COLEMAN WORTHAM III
President and CEO

THERE WAS AN 800-POUND GORILLA in the room last year. You saw the headlines: credit crunch, sub-prime mortgage fiasco, declining consumer confidence, market fluctuations wilder than anything we've seen in twenty years. Do I hate this market? Yes. Am I losing sleep over it? No. Why not? Two good reasons.

First, because I'm optimistic for the future and in the value we add at Davenport. Second, because as a firm we're sticking to our knitting, doing what we've always done — managing our clients' money the same way we manage our own. Doing what's right. Avoiding the short-term siren songs and the unnecessary risks. Not being greedy. It's worked for us for 145 years and it's the strategy that will guide us for years to come.

Beyond that, Davenport & Company is a firm whose foundation has always been based on personal relationships and trust. That's why we have opted to stay manageable in size and fiercely independent. This is very important to us — especially in unsettling times like we all experienced in 2007. We take our responsibility to our clients very seriously, and act accordingly.

Should you lose sleep over the market? I don't think so. We believe the old rules still apply. When we research investments, we look for securities that build off of our base, that exhibit top line growth, that have quality management and that make money. And this basic focus works every day. We don't always get it right, but we believe in hitting singles and doubles instead of swinging for the fence.

2007 — for all its unpredictability — was no exception.

- Both our total assets under management and our client base grew handsomely. We were up 15% over 2006, and notable because 2006 was up over 2005 in which we had a record amount of dollars under management.
- We had the best recruiting year ever in attracting experienced financial advisors. We are pleased to broaden our base of talented professionals to help bring good advice, good stewardship and peace of mind to our clients.

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- We performed the technology upgrades that you would expect from a firm dedicated to keeping its clients informed and financial advisors working smart. Although we've never jumped on new technologies just for the sake of having something new, if it makes good business sense, we'll do it.
- We continued to listen to our clients, being consistent in our actions and doing business in a way that provides safety and comfort for both our clients and our nearly 500 associates.

In my years at the helm of Davenport & Company, I have seen a fair amount of change: once-unimaginable technological innovations, regulatory shifts, crashes and bubbles and scandals and more. And we're still here, client-driven and independent. If you don't think that's important — especially now — just call up a discount broker and see how much handholding you will get in this market.

Our Financial Advisors sometimes ask what keeps me up at night. I tell them that it's not the market ups and downs; it's making sure that I provide our people with the best operational solutions so they can do an excellent job in serving our clients. In turn, I ask them what Davenport could be doing better, and try to do it. It's a model that keeps us productive, keeps clients happy, and keeps the firm profitable.

As the proverb says, we are living in interesting times. But we are managing today's challenges, and are very excited about doing the right thing for our clients. We are grateful for your business, and for your continued confidence in us. One of our long-term clients said recently, "I've given you my money. Now I'm going to Wyoming to fish. Take care of me." We will. And we'll do it for you, too.

Wishing you and your family a Happy and Prosperous 2008.

Sincerely yours,

A handwritten signature in black ink that reads "Arman Wortman, III". The signature is written in a cursive style with a horizontal line under the name.