

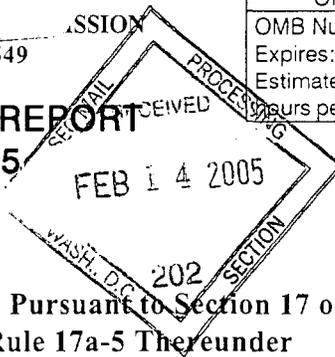


SEC 05035466
Washington, D.C. 20549

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8-10938

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



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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Dupree & Company, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

125 South Mill Street

(No. and Street)

Lexington

(City)

Kentucky

(State)

40507

(Zip Code)

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

Michelle Drago

(859) 254-7741

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marr, Miller & Myers, PSC

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

P.O. Box 663

(Address)

Corbin

(City)

Kentucky

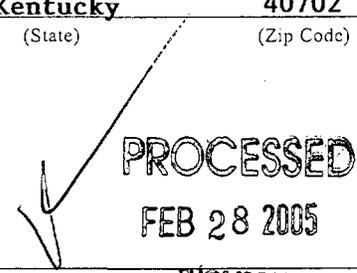
(State)

40702

(Zip Code)

CHECK ONE:

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



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HOMSON 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.

OATH OR AFFIRMATION

I, Michelle Drago, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dupree & Company, Inc., as of December 31,, 20 04, 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:

Michelle Drago
Signature
Vice President
Title

Jose E. Davis
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 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 15c3-3 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).

DUPREE & COMPANY, INC.
Lexington, Kentucky

REPORT TO THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2004 and 2003

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Marr, Miller & Myers, PSC

Certified Public Accountants
(606) 528-2454 (FAX 528-1770)

P.O. Box 663
Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT

January 26, 2005

Board of Directors and Stockholders
Dupree & Company, Inc.
Lexington, Kentucky

We have audited the accompanying statements of financial condition of Dupree & Company, Inc. as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 Dupree & Company, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Marr, Miller & Myers, PSC

Certified Public Accountants

DUPREE & COMPANY, INC.
Lexington, Kentucky

STATEMENTS OF FINANCIAL CONDITION
December 31,

ASSETS

	<u>2004</u>	<u>2003</u>
Cash, interest bearing	\$ 295,903	\$ 120,972
Cash, segregated in compliance with federal and other regulations (Note 2)	500	500
Interest receivable	164	130
Receivable-other	453,400	424,165
Trading securities, at market (Note 3)	3,027	2,835
Prepaid expenses	518	4,247
Property and equipment, net of accumulated depreciation (Note 4)	<u>43,897</u>	<u>69,070</u>
TOTAL ASSETS	<u>\$ 797,409</u>	<u>\$ 621,919</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	<u>\$ 36,027</u>	<u>\$ 29,877</u>
COMMITMENTS AND CONTINGENCIES (Notes 7, 9, and 10)		
Common stock, \$100 par value, 5,100 shares authorized, 680 shares issued and outstanding	68,000	68,000
Additional paid-in capital	4,406	4,406
Retained earnings	<u>688,976</u>	<u>519,636</u>
Total stockholders' equity	<u>761,382</u>	<u>592,042</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 797,409</u>	<u>\$ 621,919</u>

The accompanying notes are an integral part of these financial statements.

DUPREE & COMPANY, INC.
Lexington, Kentucky

STATEMENTS OF INCOME
Years Ended December 31,

	<u>2004</u>	<u>2003</u>
REVENUES		
Fiscal agency fees	\$ 70,984	\$ 64,021
Investment advisory and transfer agent fees (Notes 6 and 9)	5,056,358	4,717,454
Interest	2,803	1,790
Net gain (loss) on sale of trading securities	192	806
Other income	<u>13,265</u>	<u>14,118</u>
Total revenues	<u>5,143,602</u>	<u>4,798,189</u>
EXPENSES		
Salaries	2,208,891	2,193,882
Employee benefits	96,796	-
Fiscal agency expenses	12,405	18,550
Bank service charges	20,539	18,452
Rent (Note 7)	86,510	100,666
Insurance	143,701	125,984
Taxes and licenses	167,696	159,062
Advertising (Note 8)	59,414	85,918
Office supplies and expenses	23,558	25,580
Postage and shipping	4,186	3,921
Telephone	13,501	17,491
Dues and subscriptions	33,310	29,170
Travel and entertainment	10,259	7,555
Professional fees	46,749	24,553
Maintenance and repairs	50,725	53,108
Depreciation	46,160	45,346
Shareholder maintenance and dealer agreements	<u>231,412</u>	<u>227,536</u>
Total expenses	<u>3,255,812</u>	<u>3,136,774</u>
Net income	<u>\$ 1,887,790</u>	<u>\$ 1,661,415</u>

The accompanying notes are an integral part of these financial statements.

DUPREE & COMPANY, INC.
Lexington, Kentucky

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2004 and 2003

	Common Stock	Additional Paid-in Capital	Retained Earnings
Balances at January 1, 2003	\$ 68,000	\$ 4,406	\$ 664,934
For the year ended December 31, 2003:			
Net income	-	-	1,661,415
Dividend distributions	<u>-</u>	<u>-</u>	<u>(1,806,713)</u>
Balances at December 31, 2003	68,000	4,406	519,636
For the year ended December 31, 2004:			
Net income	-	-	1,887,790
Dividend distributions	<u>-</u>	<u>-</u>	<u>(1,718,450)</u>
Balances at December 31, 2004	<u>\$ 68,000</u>	<u>\$ 4,406</u>	<u>\$ 688,976</u>

The accompanying notes are an integral part of these financial statements.

DUPREE & COMPANY, INC.
Lexington, Kentucky

STATEMENTS OF CASH FLOWS
Years Ended December 31,

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,887,790	\$ 1,661,415
Net (gain) loss on sale of trading securities	(192)	(806)
Non-cash (income) expenses included in net income:		
Depreciation	46,160	45,346
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	(34)	129
(Increase) decrease in receivable-other	(29,235)	(26,042)
(Increase) decrease in prepaid expenses	3,729	(3,557)
Increase (decrease) in accounts payable and accrued expenses	<u>6,150</u>	<u>4,886</u>
Net cash provided by (used in) operating activities	<u>1,914,368</u>	<u>1,681,371</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distributions	<u>(1,718,450)</u>	<u>(1,806,713)</u>
Net cash provided by (used in) financing activities	<u>(1,718,450)</u>	<u>(1,806,713)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(20,987)	(18,583)
Purchase of trading securities	-	(224,252)
Redemption of trading securities	<u>-</u>	<u>291,570</u>
Net cash provided by (used in) investing activities	<u>(20,987)</u>	<u>48,735</u>
Net increase (decrease) in cash and segregated cash	174,931	(76,607)
CASH AND SEGREGATED CASH		
Beginning	<u>121,472</u>	<u>198,079</u>
Ending	<u>\$ 296,403</u>	<u>\$ 121,472</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

DUPREE & COMPANY, INC.
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the financial statements of Dupree & Company, Inc. are summarized below:

NATURE OF OPERATIONS: Dupree & Company, Inc., a Kentucky Corporation, was organized in 1962 for the purpose of being a securities broker. The Company is now principally engaged in investment advisory and transfer agent services for Dupree Mutual Funds.

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. Accordingly, actual results could differ from these estimates.

BASIS OF ACCOUNTING - SECURITY TRANSACTIONS: Securities transactions are recorded on a settlement date basis, generally the fifth business day following the transaction date. Fiscal agency fees are recorded at the time the transaction is completed.

ACCOUNTS RECEIVABLE: Accounts receivable are written off as bad debts in the year they are determined to be uncollectible.

PROPERTY AND EQUIPMENT: Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using both the straight-line and accelerated methods over the estimated lives of the assets.

TRADING SECURITIES: The trading securities category includes both debt securities and equity securities with readily determinable fair values. They are measured at fair value in the statements of financial condition. Trading securities are bought and held primarily for purposes of selling them in the near term, reflect active and frequent buying and selling, and are generally used with the objective of generating profits on short-term differences in price.

CASH AND SEGREGATED CASH: For the purpose of presentation in the statements of cash flows, cash and segregated cash are defined as those amounts included in the balance sheet caption.

INCOME TAX: The Company has elected to be taxed as a Subchapter S Corporation. All income will flow to the shareholders based on their percentage of ownership.

COMPREHENSIVE INCOME: There were no items of other comprehensive income at December 31, 2004 and 2003. Thus, net income is equal to comprehensive income for each of those years.

ACCRUED COMPENSATED ABSENCES: Employees are required to use all their sick days, vacation days and personal days during the year. The days are not carried over to the next business year.

DUPREE & COMPANY, INC.
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 - SEGREGATED CASH

Cash of \$500 at December 31, 2004 and 2003, respectively, has been established for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

NOTE 3 - TRADING SECURITIES

Trading securities at December 31 consist of the following:

	<u>2004</u>		<u>2003</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
NASDAQ Stock, 300 shares	<u>\$ 3,027</u>	<u>\$ 2,200</u>	<u>\$ 2,835</u>	<u>\$ 2,200</u>

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by classification:

	<u>2004</u>	<u>2003</u>
Office furniture and equipment	\$ 578,508	\$ 557,521
Leasehold improvements	<u>22,560</u>	<u>22,560</u>
	601,068	580,081
Less accumulated depreciation	<u>557,171</u>	<u>511,011</u>
Net property and equipment	<u>\$ 43,897</u>	<u>\$ 69,070</u>

NOTE 5 - NET CAPITAL AND NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission uniform net capital rule (15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2004, the Company had net capital as defined by Rule 15c3-1 of \$682,993, which was \$582,993 in excess of its required net capital of \$100,000. The Company's net capital ratio was .0527 to 1.

At December 31, 2003, the Company had net capital as defined by Rule 15c3-1 of \$499,837, which was \$399,837 in excess of its required net capital of \$100,000. The Company's net capital ratio was .0598 to 1.

DUPREE & COMPANY, INC.
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - INVESTMENT ADVISORY AND TRANSFER AGENT FEES

Dupree & Company, Inc. serves as the investment advisor and transfer agent pursuant to an Investment Advisory Agreement (the "Agreement"), dated November 30, 2004, for the Dupree Mutual Funds Income Series, a no load, mutual fund. The Agreement will continue in effect until October 31, 2005, and thereafter for annual periods, if renewed.

Dupree & Company, Inc. also serves as the investment advisor to the Dupree Mutual Funds Short-to-Medium Series pursuant to an Investment Advisory Agreement dated November 30, 2004. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

On November 1, 2004, Dupree & Company, Inc. renewed their investment advisory agreement with Dupree Mutual Funds Intermediate Government Bond Series. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

On November 1, 2004, Dupree & Company, Inc. renewed their investment advisory agreement with Dupree Mutual Funds Tennessee Tax-Free Income Series and Tennessee Short-To-Medium Series. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

On November 1, 2004, Dupree & Company, Inc. renewed their investment advisory agreement with Dupree Mutual Funds North Carolina Tax-Free Income Series and North Carolina Short-to-Medium Series. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

On November 1, 2004, Dupree & Company, Inc. entered into an investment advisory agreement with Dupree Mutual Funds Alabama Tax-Free Income Series and Alabama Short-to-Medium Series. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

On November 1, 2004, Dupree & Company, Inc. entered into an investment advisory agreement with Dupree Mutual Funds Mississippi Tax-Free Income Series and Mississippi Short-to-Medium Series. It remains in effect until October 31, 2005, and thereafter for annual periods, if renewed.

Subject to the direction of the Trustees, Dupree & Company, Inc. is to provide Dupree Mutual Funds with investment supervisory services, office space and facilities, sales and promotional expenses and corporate administration. As compensation for all services rendered, facilities furnished and expenses paid or assumed, Dupree & Company, Inc. is to receive a fee at the annual rate of .50% (.20% for the Intermediate Government Bond Series) of the average daily net asset value up to \$100,000,000 in assets, .45% (.20% for the Intermediate Government Bond Series) of the average daily net asset value from \$100,000,001 to \$150,000,000, .40% (.20% for the Intermediate Government Bond Series) of the average daily net asset value from \$150,000,001 to \$500,000,000 and .35% (.20% for the Intermediate Government Bond Series) of the average daily net asset value over \$500,000,000. Dupree & Company, Inc. has agreed to forego part or all of its fee in order to maintain the expenses of the Funds at or below .75% (.45% for the Intermediate Government Bond Series) of average net asset value. For the years ended December 31, 2004 and 2003, Dupree had not waived any investment advisory or transfer agent fees.

DUPREE & COMPANY, INC.
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - INVESTMENT ADVISORY AND TRANSFER AGENT FEES (CONTINUED)

Dupree & Company, Inc. also serves as the transfer agent and dividend-disbursing agent for Dupree Mutual Funds pursuant to an agreement renewed November 1, 2004. The agreement may be terminated by either party by giving ninety days written notice. The fee for this service is calculated daily at a rate of 1/365 of .15% on the first \$20,000,000 of net assets and 1/365 of .12% of the net assets over \$20,000,000. Additionally, Dupree Mutual Funds reimburses Dupree & Company, Inc. for out-of-pocket expenses incurred on behalf of the Fund. The expenses include, but are not necessarily limited to, postage, insurance, telephone charges and cost of forms.

NOTE 7 - COMMITMENTS

Rental Obligations: The Company leases its present office space under a non-cancelable lease, which expires October 31, 2008.

The aggregate annual rentals for this office space are approximately as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 86,510
2006	86,510
2007	86,510
2008	<u>72,089</u>
	<u>\$ 331,619</u>

Rental expense charged to operations for 2004 and 2003 was \$86,510 and \$100,666, respectively.

NOTE 8 - ADVERTISING COSTS

Advertising costs are expensed as incurred. During 2004 and 2003, the amount expensed was \$59,414 and \$85,918, respectively.

NOTE 9 - MAJOR CUSTOMERS

Dupree & Company, Inc. derives a major portion of its revenue from one customer. During 2004 and 2003, revenues from that customer aggregated \$4,961,757 and \$4,633,532, respectively. At December 31, 2004 and 2003, amounts due from that customer included in receivable-other were \$433,044 and \$407,677, respectively.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

At December 31, 2004, the amounts of cash on deposit with any one financial institution exceeded the \$100,000 FDIC insured limit by \$288,834.

DUPREE & COMPANY, INC.
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 11 - PENSION PLAN

Dupree & Company, Inc. adopted a 401(K) plan for all eligible employees effective September 1, 1996. The plan specifies that the employees can make a contribution of up to 25% of their compensation to a maximum contribution of \$13,000 in 2004 and \$12,000 in 2003. Dupree & Company, Inc. does not match any employee contributions.

NOTE 12 - EMPLOYMENT AGREEMENT

The Company has entered into an employment agreement with one of its employees effective January 1999. Dupree & Company, Inc. agrees to continue employment of this employee as a consultant after his retirement, which became effective November 2001. The compensation for these services has been set at \$30,000 a year. At the employee's death, all payments shall cease under this agreement.

Marr, Miller & Myers, PSC

Certified Public Accountants
(606) 528-2454 (FAX 528-1770)

P.O. Box 663
Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT

January 26, 2005

Board of Directors and Stockholders
Dupree & Company, Inc.
Lexington, Kentucky

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on the following pages 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 and Exchange Commission. 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.

Marr, Miller & Myers, PSC

Certified Public Accountants

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Marr, Miller & Myers, PSC

70

ADDRESS

P.O. Box 663

71

Corbin

72

KY

73

40702

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **Dupree & Company, Inc.**

N 2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) **12/31/04** 99
 SEC FILE NO. **8-10938** 98
 Consolidated 198
 Unconsolidated X 199

	ASSETS			Total	
	Allowable	Non-Allowable		Total	
1. Cash	\$ 245,903	200		\$ 245,903	750
2. Cash segregated in compliance with federal and other regulations	500	210		500	760
3. Receivable from brokers or dealers and clearing organizations:					
A. Failed to deliver:					
1. Includable in "Formula for Reserve Requirements"	220				
2. Other	230				770
B. Securities borrowed:					
1. Includable in "Formula for Reserve Requirements"	240				
2. Other	250				780
C. Omnibus accounts:					
1. Includable in "Formula for Reserve Requirements"	260				
2. Other	270				790
D. Clearing organizations:					
1. Includable in "Formula for Reserve Requirements"	280				
2. Other	290				800
E. Other	300	550			810
4. Receivables from customers:					
A. Securities accounts:					
1. Cash and fully secured accounts	310				
2. Partly secured accounts	320	560			
3. Unsecured accounts		570			
B. Commodity accounts	330	580			
C. Allowance for doubtful accounts	(335)	(590)			820
5. Receivables from non-customers:					
A. Cash and fully secured accounts	340				
B. Partly secured and unsecured accounts	350	600			830
6. Securities purchased under agreements to resell	360	605			840
7. Securities and spot commodities owned, at market value:					
A. Bankers acceptances, certificates of deposit and commercial paper	50,000	370			
B. U.S. and Canadian government obligations		380			
C. State and municipal government obligations		390			
D. Corporate obligations		400			

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

STATEMENT OF FINANCIAL CONDITION

		ASSETS			
		Allowable	Non-Allowable	Total	
E. Stocks and warrants	\$	410			
F. Options		420			
G. Arbitrage		422			
H. Other securities		3,027	424		
I. Sport commodities		430		\$ 53,027	850
8. Securities owned not readily marketable:					
A. At Cost	\$	130	440	\$ 610	860
9. Other investments not readily marketable:					
A. At Cost	\$	140			
B. At estimated fair value		450	620		870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities	\$	150			
B. Other	\$	160	460	630	880
11. Secured demand notes- market value of collateral:					
A. Exempted securities	\$	170			
B. Other	\$	180	470	640	890
12. Memberships in exchanges:					
A. Owned, at market value	\$	190			
B. Owned at cost				650	
C. Contributed for use of company, at market value				660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships		433,044	480	670	433,044 910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:					
At cost (net of accumulated depreciation and amortization)		490	43,897	680	43,897 920
15. Other Assets:					
A. Dividends and interest receivable		500	164	690	
B. Free shipments		510	518	700	
C. Loans and advances		520		710	
D. Miscellaneous		530	20,356	720	21,038 930
16. TOTAL ASSETS	\$	732,474	540	64,935	797,409 940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities*	Non-A.I. Liabilities*	Total
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreement....		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other:	1110	1320	1570
20. Payable to customers:			
A. Securities accounts-including free credits of\$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value-including arbitrage of\$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	36,027	1170	36,027
C. Income taxes payable	1180		1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	1190		1670
F. Other	1200	1380	1680

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*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities*	Non-A.I. Liabilities*	Total
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	\$ 1211	\$ 1390	\$ 1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders ²⁴ \$ 970		1400	1710
2. Includes equity subordination (15c3-1(d)) of \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements		1420	1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes			
26. TOTAL LIABILITIES	\$ 36,027 1230	\$ 1440 1450	\$ 36,027 1760
Ownership Equity			
27. Sole Proprietorship			\$ 1770
28. Partnership-limited partners	\$ 1020		\$ 1780
29. Corporation:			
A. Preferred stock			1791
B. Common stock			²⁸ 68,000 1792
C. Additional paid-in capital			4,406 1793
D. Retained earnings			688,976 1794
E. Total			761,382 1795
F. Less capital stock in treasury			(1800) 1796
30. TOTAL OWNERSHIP EQUITY			\$ 761,382 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 797,409 1810

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	761,382	3480
2. Deduct Ownership equity not allowable for Net Capital		()	3490
3. Total ownership equity qualified for Net Capital		761,382	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)	33		3525
5. Total capital and allowable subordinated liabilities	\$	761,382	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C)	\$	64,935	3540
1. Additional charges for customers' and non-customers' security accounts	\$	3550	
2. Additional charges for customers' and non-customers' commodity accounts		3560	
B. Aged fail-to-deliver			3570
1. Number of items	29	3450	
C. Aged short security differences-less reserve of	\$	3460	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges		13,000	3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges		(77,935)	3620
7. Other additions and/or allowable credits (List)		683,447	3630
8. Net capital before haircuts on securities positions	\$		3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper	31		3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants		454	3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	32		3734
D. Undue Concentration			3650
E. Other (List)			3736
		(454)	3740
10. Net Capital	\$	682,993	3750

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	2,402	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	100,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	100,000	3760
14. Excess net capital (line 10 less 13)	\$	582,993	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	679,390	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	36,027	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$		3838
19. Total aggregate indebtedness	\$	36,027	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	5.27	3850
21. Percentage of aggregate indebtedness to net capital <i>after</i> anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 25)	%	5.27	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	3870	
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880	3760
24. Net capital requirement (greater of line 22 or 23)	\$	3910	3851
25. Excess net capital (line 10 less 24)	\$	3854	3920
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%	3854	3920
27. Percentage of Net Capital, <i>after</i> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 8)	%	3854	3920
28. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$	3920	3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	3860	
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%	3852	

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

PART II - FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER **Dupree & Company, Inc.** For the period (MMDDYY) from 01/01/04 to 12/31/04
 Number of months included in this statement 12

STATEMENT OF INCOME (LOSS)

REVENUE

1.	Commissions:		
	a. Commissions on transactions in listed equity securities executed on an exchange	\$	3935
	b. Commissions on transactions in exchange listed equity securities executed over-the-counter		3937
	c. Commissions on listed option transactions		3938
	d. All other securities commissions		3939
	e. Total securities commissions	40	3940
2.	Gains or losses on firm securities trading accounts		
	a. From market making in over-the-counter equity securities		3941
	1. Includes gains or (losses) OTC market making in exchange listed equity securities	3943	
	b. From trading in debt securities		3944
	c. From market making in options on a national securities exchange		3945
	d. From all other trading		3949
	e. Total gains or (losses)		3950
3.	Gains or losses on firm securities investment accounts		
	a. Includes realized gains (losses)	4235	
	b. Includes unrealized gains (losses)	4236	
	c. Total realized and unrealized gains (losses)	41	3952
4.	Profits or (losses) from underwriting and selling groups		3955
	a. Includes underwriting income from corporate equity securities	4237	
5.	Margin interest		3960
6.	Revenue from sale of investment company shares		3970
7.	Fees for account supervision, investment advisory and administrative services	5,056,358	3975
8.	Revenue from research services		3980
9.	Commodities revenue		3990
10.	Other revenue related to securities business	42	3985
11.	Other revenue	87,244	3995
12.	Total revenue	\$	5,143,602 4030

EXPENSES

13.	Registered representative's compensation		
	14. Clerical and administrative employees' expenses	\$	1,546,034 4110
	15. Salaries and other employment costs for general partners, and voting stockholder officers		662,857 4040
	a. Includes interest credited to General and Limited Partners capital accounts	4130	
	16. Floor brokerage paid to certain brokers (see definition)		4055
	17. Commissions and clearance paid to all other brokers (see definition)	43	4145
	18. Clearance paid to non-brokers (see definition)		4135
	19. Communications	13,501	4060
	20. Occupancy and equipment costs	197,062	4080
	21. Promotional costs	59,414	4150
	22. Interest expense		4075
	a. Includes interest on accounts subject to subordination agreements	4070	
	23. Losses in error account and bad debts		4170
	24. Data processing costs (including service bureau service charges)	44	4186
	25. Non-recurring charges		4190
	26. Regulatory fees and expenses	9,496	4195
	27. Other expenses	767,448	4100
	28. Total expenses	\$	3,255,812 4200

NET INCOME

29.	Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		
	30. Provision for Federal income taxes (for parent only)		1,887,790 4210
	31. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4220
	a. After Federal income taxes of	45	4222
	32. Extraordinary gains (losses)	39	4238
	a. After Federal income taxes of	4239	4224
	33. Cumulative effect of changes in accounting principles		4225
	34. Net income (loss) after Federal income taxes and extraordinary items	\$	1,887,790 4230

MONTHLY INCOME

35.	Income (current month only) before provision for Federal income taxes and extraordinary items		
		\$	N/A 4211

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	45	\$		4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)				4350
3. Monies payable against customers' securities loaned (see Note C)				4360
4. Customers' securities failed to receive (see Note D)				4370
5. Credit balances in firm accounts which are attributable to principal sales to customers				4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days				4390
7. **Market value of short security count differences over 30 calendar days old				4400
8. **Market value of short securities and credits (not to be offset by logs or by debits) in all suspense accounts over 30 calendar days			47	4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days				4420
10. Other (List)				4425
11. TOTAL CREDITS		\$	0	4430

DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	46	\$		4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver				4450
14. Failed to deliver of customers' securities not older than 30 calendar days				4460
15. Margin required and on deposit with Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F)				4465
16. Other (List)			48	4469
17. **Aggregate debit items		\$	0	4470
18. **Less 3% (for alternative method only—see Rule 15c3-1(f)(5)(i))			0	4471
19. **TOTAL 14c3-3 DEBITS		\$	0	4472

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	49	\$		0	4480	
21. Excess of total credits over total debits (line 11 less line 19)				0	4490	
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits				0	4500	
23. Amount held on deposit in "Reserve Bank Account(s)," including value of qualified securities, at end of reporting period				0	4510	
24. Amount of deposit (or withdrawal) including						
\$ 4515 value of qualified securities				0	4520	
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including						
\$ 4525 value of qualified securities				\$	0	4530
26. Date of deposit (MMDDYY)				0	4540	

FREQUENCY OF COMPUTATION

27. Daily 4332 Weekly 4333 Monthly 4334

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check only one)

A. (k)(1) — \$2,500 capital category as per Rule 15c3-1	\$	4550
B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained	<input checked="" type="checkbox"/>	4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ⁵¹	4335	4570
D. (k)(3) — Exempted by order of the Commission		4580

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B			\$	0	4586
A. Number of items				0	4587
2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D			\$	0	4588
A. Number of items			\$	0	4589
OMIT PENNIES					
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3			Yes	<input checked="" type="checkbox"/>	4584
			No		4585

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent with the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

CUSTOMER'S REGULATED COMMODITY FUTURES ACCOUNTS **N/A**

SEGREGATION REQUIREMENTS

1.	Net ledger balance:		
	A. Cash		7010
	B. Securities (at market)		7020
2.	Net unrealized profit (loss) in open futures contracts traded on a contract market		7030
3.	Exchange traded options:		
	A. Add: Market Value of an open option contracts purchased on a contract market		7032
	B. Deduct: Market Value of an open option contracts granted (sold) on a contract market		7033
4.	Net equity (deficit) (total of 1, 2 and 3)		7040
5.	Add accounts liquidating to a deficit and accounts with debit balances with no open trades		7050
6.	Amount required to be segregated (total of 5 and 4)		7060

FUNDS ON DEPOSIT IN SEGREGATION

7.	Deposited in segregated funds bank accounts:		
	A. Cash		7070
	B. Securities representing investments of customers' fund (at market)		7080
	C. Securities held in particular customers or option customers in lieu of cash (at market)		7090
8.	Margin on deposits with clearing organizations of contract markets:		
	A. Cash		7100
	B. Securities representing investments of customers' fund (at market)		7110
	C. Securities held in particular customers or option customers in lieu of cash (at market)		7120
9.	Settlement due from (to) clearing organizations of contract markets		7130
10.	Exchange traded options:		
	A. Add: Unrealized receivables for option contracts purchased on contract markets		7132
	B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets		7133
11.	Net equities with other FCMs		7140
12.	Segregated funds on hand:		
	A. Cash		7150
	B. Securities representing investments of customers' funds (at market)		7160
	C. Securities held for particular customers in lieu of cash (at market)		7170
13.	Total amount in segregation *total of 7 through 12)		\$ 7180
14.	Excess (insufficiency) funds in segregation (13 minus 6)		\$ 7190

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposal Withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
54	4600	4601	4602 \$	4603	4604	4605
55	4610	4611	4612	4613	4614	4615
56	4620	4621	4622	4623	4624	4625
57	4630	4631	4632	4633	4634	4635
58	4640	4641	4642	4643	4644	4645
59	4650	4651	4652	4653	4654	4655
60	4660	4661	4662	4663	4664	4665
61	4670	4671	4672	4673	4674	4675
62	4680	4681	4682	4683	4684	4685
63	4690	4691	4692	4693	4694	4695

Total \$ 54 **NONE** 4699*

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* To agree with the total on Recap (Item No. 4880)

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
Capital Withdrawals
PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

1. Equity Capital			
A. Partnership Capital:			
1. General Partners	65	\$	4700
2. Limited			4710
3. Undistributed Profits			4720
4. Other (describe below)			4730
5. Sole Proprietorship			4735
B. Corporation Capital:			
1. Common Stock			4740
2. Preferred Stock			4750
3. Retained Earnings (Dividends and Other)	66		4760
4. Other (describe below)			4770
2. Subordinated Liabilities			
A. Secured Demand Notes			4780
B. Cash Subordinates			4790
C. Debentures			4800
D. Other (describe below)			4810
3. Other Anticipated Withdrawals			
A. Bonuses			4820
B. Voluntary Contributions to Pension or Profit Sharing Plans			4860
C. Other (describe below)	67		4870
Total			
		\$	NONE 4880
4. Description of Other			

STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period	\$	519,636	4240
A. Net income (loss)		1,887,790	4250
B. Additions (includes non-conforming capital of	\$	4263	68 4260
C. Deductions (includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From Item 1800)	\$	688,976	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$	4300
A. Increases		4310
B. Decreases	(4320
4. Balance, end of period (From Item 3520)	\$	4330

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER **Dupree & Company, Inc.**

as of 12/31/04

FINANCIAL AND OPERATIONAL DATA

<p>1. Month end total number of stock record breaks unresolved over three business days</p> <p>A. breaks long</p> <p>B. breaks short</p> <p>2. Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter? (Check one)</p> <p>3. Personnel employed at end of reporting period:</p> <p>A. Income producing personnel</p> <p>B. Non-income producing personnel (all other)</p> <p>C. Total</p> <p>4. Actual number of tickets executed during current month of reporting period</p> <p>5. Number of corrected customer confirmations mailed after settlement date</p>	<p>Valuation</p> <p>\$ 4890</p> <p>72 \$ 4910</p> <p>Yes <input checked="" type="checkbox"/> 4930</p> <p>8 4950</p> <p>6 4960</p> <p>14 4970</p> <p>4980</p> <p>4990</p>	<p>Number</p> <p>4900</p> <p>4920</p> <p>No <input type="checkbox"/> 4940</p> <p>4950</p> <p>4960</p> <p>4970</p> <p>4980</p> <p>4990</p>
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	No. of Items	Debit (Short Value)		No. of Items	Credit (Long Value)
6. Money differences	69 0	\$ 5000	\$ 0	0	\$ 5030
7. Security suspense accounts	0	\$ 5040	\$ 0	0	\$ 5070
8. Security difference accounts	0	\$ 5080	\$ 0	0	\$ 5110
9. Commodity suspense accounts	0	\$ 5120	\$ 0	0	\$ 5150
10. Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and inter-company accounts which could result in a charge — unresolved amounts over 30 calendar days	0	\$ 5160	\$ 0	0	\$ 5190
11. Bank account reconciliations — unresolved amounts over 30 calendar days	0	\$ 5200	\$ 0	0	\$ 5230
12. Open transfers over 40 calendar days, not confirmed	0	\$ 5240	\$ 0	0	\$ 5270
13. Transactions in reorganization accounts — over 60 calendar days	0	\$ 5280	\$ 0	0	\$ 5310
14. Total	0	\$ 5320	\$ 0	0	\$ 5350

	No. of Items	Leger Amount		Market Value
15. Failed to deliver 11 business days or longer (21 Business Days or longer in the case of Municipal Securities)	0	\$ 5360	\$ 0	\$ 5362
16. Failed to receive 11 business days or longer (21 business Days or longer in the case of Municipal Securities)	0	\$ 5363	\$ 0	\$ 5365
17. Security concentrations (See instructions in Part I):				
A. Proprietary positions			\$ 0	\$ 5370
B. Customers' accounts under Rule 15c3-3			\$ 0	\$ 5374
18. Total of personal capital borrowings due within six months			\$ 0	\$ 5378
19. Maximum haircuts on underwriting commitments during the period			\$ 0	\$ 5380
20. Planned capital expenditures for business expansion during next six months			\$ 0	\$ 5382
21. Liabilities of other individuals or organizations guaranteed by respondent			\$ 0	\$ 5384
22. Lease and rentals payable within one year			\$ 0	\$ 5386
23. Aggregate lease and rental commitments payable for entire term of the lease				
A. Gross			\$ 0	\$ 5388
B. Net			\$ 0	\$ 5390

OMIT PENNIES

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COMMENTS ON NET CAPITAL AND RESERVE REQUIREMENTS

January 26, 2005

Board of Directors and Stockholders
Dupree & Company, Inc.
Lexington, Kentucky

We compared the computations of net capital and reserve requirements contained in the audit report of Dupree & Company, Inc., for the year ended December 31, 2004, with the Company's most recent unaudited computations as contained in the Focus Report - Part II (Form X-17A-5). Differences between the audited computations and the most recent unaudited computations are outlined below:

	Computations per latest <u>Form X-17A-5</u>	Computations <u>Per Audit</u>
Total capital	\$ 781,134	\$ 761,382
Deductions from net worth	<u>82,182</u>	<u>78,389</u>
Net capital	<u>\$ 698,952</u>	<u>\$ 682,993</u>
Minimum net capital required:		
Aggregate indebtedness	\$ 18,326	\$ 36,027
Required percentage	<u>.0667</u>	<u>.0667</u>
Minimum net capital	<u>\$ 1,221</u>	<u>\$ 2,402</u>
Net capital in excess of minimum	<u>\$ 598,952</u>	<u>\$ 582,993</u>
Ratio of aggregate indebtedness to net capital	<u>2.62</u>	<u>5.27</u>

The net capital differences resulted from net audit adjustments of \$15,959. There were no other differences found to exist between the most recent unaudited computation and the audited computation as contained in the Focus Report - Part II, for determining reserve requirements under Rule 15c3-3.

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SUPPLEMENTAL REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

January 26, 2005

Board of Directors and Stockholders
Dupree & Company, Inc.
Lexington, Kentucky

In planning and performing our audit of the financial statements of Dupree & Company, Inc. for the years ended December 31, 2004 and 2003, we considered its internal control procedures, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Dupree & Company, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g)(1) in 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) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in 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 the internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices 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 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.

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Because of inherent limitations in any internal control structure or the practice and procedures referred to above, errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures 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 Commission to be adequate for its purposes in accordance with the Securities and 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 were adequate at December 31, 2004 and 2003, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other agencies, which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purposes.

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Certified Public Accountants