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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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2/14

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

SEC FILE NUMBER	8-10938
Mail Processing Section	

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

FEB 14 2008

Washington, DC

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

104

**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

Kentucky

40507

(City)

(State)

(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**

**PROCESSED**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

FEB 19 2008  
THOMSON FINANCIAL

Marr, Miller & Myers, PSC

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

P.O. Box 663

Corbin,

Kentucky

40702

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION <b>RECEIVED</b>  FEB 12 2008  BRANCH OF REGISTRATIONS AND EXAMINATIONS
02

**FOR OFFICIAL USE ONLY**

\*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.

2/15/08

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 07, 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

\_\_\_\_\_  
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 Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DUPREE & COMPANY, INC.  
Lexington, Kentucky

REPORT TO THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2007 and 2006

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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 23, 2008

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, 2007 and 2006, 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, 2007 and 2006, 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>2007</u>	<u>2006</u>
Cash	\$ 198,825	\$ 228,568
Interest receivable	-	352
Receivable-other	479,586	476,140
Trading securities, at market (Note 2)	14,847	9,237
Prepaid expenses	-	1,359
Property and equipment, net of accumulated depreciation (Note 3)	<u>39,072</u>	<u>61,332</u>
TOTAL ASSETS	<u>\$ 732,330</u>	<u>\$ 776,988</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	<u>\$ 25,466</u>	<u>\$ 62,685</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 8, and 9)		
Common stock, no par value, 6,800 shares authorized, issued and outstanding, 68 shares voting and 6,732 shares nonvoting	68,000	68,000
Additional paid-in capital	4,406	4,406
Retained earnings	<u>634,458</u>	<u>641,897</u>
Total stockholders' equity	<u>706,864</u>	<u>714,303</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 732,330</u>	<u>\$ 776,988</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>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Fiscal agency fees	\$ 145,887	\$ 54,166
Investment advisory and transfer agent fees (Notes 5 and 8)	5,439,260	5,453,241
Interest	14,218	11,855
Net gain (loss) on sale of trading securities	(730)	(1,304)
Other income	41,207	7,686
Total revenues	<u>5,639,842</u>	<u>5,525,644</u>
<b>EXPENSES</b>		
Salaries	2,289,160	2,207,853
Fiscal agency expenses	32,814	10,883
Bank service charges	16,100	17,252
Rent (Note 6)	87,710	86,510
Insurance	122,673	116,448
Taxes and licenses	193,026	196,594
Advertising (Note 7)	27,613	58,715
Office supplies and expenses	23,722	18,061
Postage and shipping	3,629	2,646
Telephone	9,897	12,951
Dues and subscriptions	30,762	33,869
Travel and entertainment	7,908	4,622
Professional fees	80,651	33,435
Maintenance and repairs	15,057	27,317
Depreciation	22,873	25,757
Shareholder maintenance and dealer agreements	270,894	195,457
Total expenses	<u>3,234,489</u>	<u>3,048,370</u>
<b>INCOME BEFORE STATE INCOME TAX PROVISION</b>	<b>2,405,353</b>	<b>2,477,274</b>
Provision for state income tax	-	171,381
Net income	<u>\$ 2,405,353</u>	<u>\$ 2,305,893</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, 2007 and 2006

	Common <u>Stock</u>	Additional Paid-in <u>Capital</u>	Retained <u>Earnings</u>
Balances at January 1, 2006	\$ 68,000	\$ 4,406	\$ 731,895
For the year ended December 31, 2006:			
Net income	-	-	2,305,893
Dividend distributions	-	-	(2,395,891)
	<hr/>	<hr/>	<hr/>
Balances at December 31, 2006	68,000	4,406	641,897
For the year ended December 31, 2007:			
Net income	-	-	2,405,353
Dividend distributions	-	-	(2,412,792)
	<hr/>	<hr/>	<hr/>
Balances at December 31, 2007	<u>\$ 68,000</u>	<u>\$ 4,406</u>	<u>\$ 634,458</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>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,405,353	\$ 2,305,893
Net (gain) loss on sale of trading securities	730	1,304
Non-cash (income) expenses included in net income:		
Depreciation	22,873	25,757
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	352	(75)
(Increase) decrease in receivable-other	(3,446)	944
(Increase) decrease in prepaid expenses	1,359	(281)
Increase (decrease) in accounts payable and accrued expenses	<u>(37,219)</u>	<u>(11,660)</u>
Net cash provided by (used in) operating activities	<u>2,390,002</u>	<u>2,321,882</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend distributions	<u>(2,412,792)</u>	<u>(2,395,891)</u>
Net cash provided by (used in) financing activities	<u>(2,412,792)</u>	<u>(2,395,891)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(613)	(49,725)
Purchase of investments	(178,000)	(405,000)
Proceeds from sale of investments	172,257	405,819
Dividend reinvestment	<u>(597)</u>	<u>(806)</u>
Net cash provided by (used in) investing activities	<u>(6,953)</u>	<u>(49,712)</u>
Net increase (decrease) in cash	(29,743)	(123,721)
<b>CASH</b>		
Beginning	<u>228,568</u>	<u>352,289</u>
Ending	<u>\$ 198,825</u>	<u>\$ 228,568</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 25,331</u>	<u>\$ 266,351</u>

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

DUPREE & COMPANY, INC.  
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

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.

INCOME TAXES: The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders. This election is valid for Kentucky; however, effective January 1, 2005, Kentucky law required the income tax to be accrued and paid at the entity level. Therefore, a provision for state income tax and a related liability had been included in the financial statements for state income taxes at December 31, 2006. As of January 1, 2007, Kentucky law changed again so that the shareholders would pay the income tax on their proportionate share of the Company's taxable income. Therefore, there is no provision for state income tax at December 31, 2007.

DUPREE & COMPANY, INC.  
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPREHENSIVE INCOME: There were no items of other comprehensive income at December 31, 2007 and 2006. 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.

NOTE 2 - TRADING SECURITIES

Trading securities at December 31 consist of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
NASDAQ Stock, 300 shares	<u>\$ 14,847</u>	<u>\$ 2,200</u>	<u>\$ 9,237</u>	<u>\$ 2,200</u>

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Office furniture and equipment	\$ 561,018	\$ 560,405
Leasehold improvements	<u>22,560</u>	<u>22,560</u>
	583,578	582,965
Less accumulated depreciation	<u>544,506</u>	<u>521,633</u>
Net property and equipment	<u>\$ 39,072</u>	<u>\$ 61,332</u>

NOTE 4 - 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, 2007, the Company had net capital as defined by Rule 15c3-1 of \$635,096, which was \$385,096 in excess of its required net capital of \$250,000. The Company's net capital ratio was .0401 to 1.

At December 31, 2006, the Company had net capital as defined by Rule 15c3-1 of \$626,351, which was \$376,351 in excess of its required net capital of \$250,000. The Company's net capital ratio was .1001 to 1.

DUPREE & COMPANY, INC.  
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

NOTE 5 - 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 1, 2007, for the Dupree Mutual Funds Income Series, a no load, mutual fund. The Agreement will continue in effect until October 31, 2008, 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 1, 2007. It remains in effect until October 31, 2008, and thereafter for annual periods, if renewed.

On November 1, 2007, Dupree & Company, Inc. renewed their investment advisory agreement with Dupree Mutual Funds Intermediate Government Bond Series. It remains in effect until October 31, 2008, and thereafter for annual periods, if renewed.

On November 1, 2007, 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, 2008, and thereafter for annual periods, if renewed.

On November 1, 2007, 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, 2008, and thereafter for annual periods, if renewed.

On November 1, 2007, Dupree & Company, Inc. renewed their 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, 2008, and thereafter for annual periods, if renewed.

On November 1, 2007, Dupree & Company, Inc. renewed their 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, 2008, 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, 2007 and 2006, Dupree & Company, Inc. waived investment advisory fees of \$63,364 and \$62,452, respectively.

DUPREE & COMPANY, INC.  
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

NOTE 5 - 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, 2007. 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 6 - 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>
2008	\$ <u>72,089</u>

Rental expense charged to operations for 2007 and 2006 was \$87,710 and \$86,510, respectively.

Termination of Shareholder Servicing Agreement: The Company entered into a termination agreement with a North Carolina investment advisor, which calls for twelve monthly payments of \$16,667 beginning January 15, 2007. The investment advisor continued to perform its shareholder servicing function through December 31, 2006 in accordance with the provisions of their original agreement. Effective January 1, 2007, all shareholder accounts were transferred to Dupree & Company, Inc. for them to perform their transfer agency functions.

Credit Advisory Services: The Company entered into a one-year contract with First Kentucky Securities Corporation for credit advisory services, which called for a monthly payment of \$1,500. The contract ends April 30, 2008.

NOTE 7 - ADVERTISING COSTS

Advertising costs are expensed as incurred. During 2007 and 2006, the amount expensed was \$27,613 and \$58,715, respectively.

NOTE 8 - MAJOR CUSTOMERS

Dupree & Company, Inc. derives a major portion of its revenue from one customer. During 2007 and 2006, revenues from that customer aggregated \$5,329,785 and \$5,351,741, respectively. At December 31, 2007 and 2006, amounts due from that customer included in receivable-other were \$453,679 and \$451,752, respectively.

DUPREE & COMPANY, INC.  
Lexington, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

At December 31, 2007 and 2006, the amount of cash on deposit with any one financial institution exceeded the FDIC insured limit by \$48,825 and \$74,148, respectively.

NOTE 10 - 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 \$15,500 in 2007 and \$15,000 in 2006. Dupree & Company, Inc. does not match any employee contributions.

NOTE 11 - 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 23, 2008

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

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

# Form X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## PART II 11

*(Please read instructions before preparing Form.)*

This report is being filed pursuant to (Check Applicable Block(s)):

- |                                                                                  |                                              |                                            |
|----------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------|
| 1) Rule 17a-5(a) <input checked="" type="checkbox"/> 16                          | 2) Rule 17a-5(b) <input type="checkbox"/> 17 | 3) Rule 17a-11 <input type="checkbox"/> 18 |
| 4) Special request by designated examining authority <input type="checkbox"/> 19 | 5) Other <input type="checkbox"/> 26         |                                            |

NAME OF BROKER-DEALER

SEC FILE NO.

Dupree & Company, Inc. 13

8-10938 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM I.D. NO.

125 South Mill Street 20

1697 15

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

Lexington 21 KY 22 40507-1683 23

01-01-2007 24

(City)

(State)

(Zip Code)

AND ENDING (MM/DD/YY)

12-31-2007 25

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

(Area Code) — Telephone No.

Michelle Dragoo 30

(859) 254-7741 31

NAMES OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements, and schedules remain true, correct and complete as previously submitted.

Dated the \_\_\_\_\_ day of \_\_\_\_\_

Manual signatures of:

1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatement or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who 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.



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

BROKER OR DEALER  
 1 Dupree & Company, Inc.

N 2

100

### STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/07

SEC FILE NO. 8-10938

Consolidated		99
Unconsolidated	<input checked="" type="checkbox"/>	98
		198
		199

#### ASSETS

	Allowable	Non-Allowable	Total
1. Cash .....	\$ 148,825		\$ 148,825
2. Cash segregated in compliance with federal and other regulations .....	200		750
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements" .....	210		760
2. Other .....	220		
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements" .....	230		770
2. Other .....	240		
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements" .....	250		780
2. Other .....	260		
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements" .....	270		790
2. Other .....	280		
E. Other .....	290		800
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts .....	300		810
2. Partly secured accounts .....	310	550	
3. Unsecured accounts .....	320	560	
B. Commodity accounts .....	330	570	
C. Allowance for doubtful accounts .....	335	580	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 12/31/07

### STATEMENT OF FINANCIAL CONDITION

		<b>ASSETS</b>			
		Allowable	Non-Allowable	Total	
E. Stocks and warrants	\$	410			
F. Options		420			
G. Arbitrage		422			
H. Other securities		14,847	424		
I. Sport commodities		430		\$ 64,847	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		650	
B. Owned at cost					
C. Contributed for use of company, at market value				660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships		453,679	480	670	910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:					
At cost (net of accumulated depreciation and amortization)		490	39,072	680	920
15. Other Assets:					
A. Dividends and interest receivable		500		690	
B. Free shipments		510		700	
C. Loans and advances		520		710	
D. Miscellaneous		530	25,907	720	930
16. TOTAL ASSETS	\$	667,351	540	64,979	740
				\$ 732,330	940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

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

as of 12/31/07

### 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 .....	25,466	1170	25,466
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 12/31/07

## 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 .....	25 1211	1390	1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders 24 \$ 970			
2. Includes equity subordination (15c3-1(d)) of ..... \$ 980			
B. Securities borrowings, at market value		1410	1720
from outsiders \$ 990			
C. Pursuant to secured demand note collateral agreements		1420	27 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		26 1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
26. TOTAL LIABILITIES .....	\$ 25,466 1230	\$ 1450	\$ 25,466 1760
 <b>Ownership Equity</b>			
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 .....		634,458	1794
E. Total .....			1795
F. Less capital stock in treasury .....		( )	1796
30. TOTAL OWNERSHIP EQUITY .....			\$ 706,864 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....			\$ 732,330 1810

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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 12/31/07

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800 .....	\$	706,864	3480
2. Deduct Ownership equity not allowable for Net Capital .....		( )	3490
3. Total ownership equity qualified for Net Capital .....		706,864	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 .....	\$	706,864	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C) .....	\$	64,979	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 .....			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 .....		( 64,979 )	3620
7. Other additions and/or allowable credits (List) .....			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	4,562	3680
2. U.S. and Canadian government obligations .....			3690
3. State and municipal government obligations .....			3700
4. Corporate obligations .....			3710
5. Stocks and warrants .....		2,227	3720
6. Options .....			3730
7. Arbitrage .....			3732
8. Other securities .....	32		3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
		( 6,789 )	3740
10. Net Capital .....	\$	635,096	3750

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

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

as of 12/31/07

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	1,697	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) .....	\$	250,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	250,000	3760
14. Excess net capital (line 10 less 13) .....	\$	385,096	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	%\$	632,549	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	25,466	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 .....	\$	25,466	3840
20. Percentage of aggregate indebtedness to net capital (line 19 + by line 10) .....	%	4.01	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) .....	%	4.01	3853

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT **N/A**

**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
24. Net capital requirement (greater of line 22 or 23) .....	\$		3760
25. Excess net capital (line 10 less 24) .....	\$		3910
26. Percentage of Net Capital to Aggregate Debts (line 10 + by line 17 page 8) .....	%		3851
27. Percentage of Net Capital, <i>after</i> anticipated capital withdrawals, to Aggregate Debts (line 10 less item 4880 page 11 + by line 17 page 8) .....	%		3854
28. Net capital in excess of the greater of:			
A. 5% of combines aggregate debit items or \$120,000 .....	\$		3920

### OTHER RATIOS **N/A**

**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 <b>Dupree &amp; Company, Inc.</b>	For the period (MMDDYY) from <b>01/01/07</b> to <b>12/31/07</b>	3933
	Number of months included in this statement <b>12</b>	3931

### 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
4. Profits or (losses) from underwriting and selling groups			3952
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		5,439,260	3975
8. Revenue from research services			3980
9. Commodities revenue			3990
10. Other revenue related to securities business			42
11. Other revenue		200,582	3995
12. Total revenue	\$	5,639,842	4030

#### EXPENSES

13. Registered representative's compensation	\$	1,218,955	4110
14. Clerical and administrative employees' expenses		530,205	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers		540,000	4120
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
18. Clearance paid to non-brokers (see definition)			4135
19. Communications		9,897	4060
20. Occupancy and equipment costs		138,076	4080
21. Promotional costs		27,613	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
25. Non-recurring charges			4190
26. Regulatory fees and expenses		12,555	4195
27. Other expenses		757,188	4100
28. Total expenses	\$	3,234,489	4200

#### NET INCOME

29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		2,405,353	4210
30. Provision for Federal income taxes (for parent only)			4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above			45
a. After Federal income taxes of		4238	
32. Extraordinary gains (losses)			4224
a. After Federal income taxes of		4239	
33. Cumulative effect of changes in accounting principles			4225
34. Net income (loss) after Federal income taxes and extraordinary items	\$	2,405,353	4230

#### MONTHLY INCOME

35. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	4211
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

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

as of 12/31/07

## 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) .....	46	\$		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 .....	48	\$		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 \$ <span style="border: 1px solid black; padding: 0 5px;">4515</span> value of qualified securities .....				0	4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ <span style="border: 1px solid black; padding: 0 5px;">4525</span> value of qualified securities .....		\$		0	4530
26. Date of deposit (MMDDYY) .....				0	4540

### FREQUENCY OF COMPUTATION

27. Daily <sup>50</sup> 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 12/31/07

## 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 .....	\$	<input checked="" type="checkbox"/>	4550
B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....			4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <sup>51</sup> .....			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 .....				\$ <sup>53</sup>	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 12/31/07

## 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 12/31/07

**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 12/31/07

**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.**

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

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

1. Balance, beginning of period .....		\$	641,897	4240
A. Net income (loss) .....			2,405,353	4250
B. Additions (includes non-conforming capital of .....		\$	4263	4260
C. Deductions (includes non-conforming capital of .....		\$	4272	4270
2. Balance, end of period (From Item 1800) .....		\$	634,458	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 12/31/07

### FINANCIAL AND OPERATIONAL DATA

	<u>Valuation</u>	<u>Number</u>
1. Month end total number of stock record breaks unresolved over three business days		
A. breaks long .....	\$ <span style="border: 1px solid black; padding: 0 5px;">4890</span>	<span style="border: 1px solid black; padding: 0 5px;">4900</span>
B. breaks short .....	\$ <span style="border: 1px solid black; padding: 0 5px;">4910</span>	<span style="border: 1px solid black; padding: 0 5px;">4920</span>
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) .....	Yes <input checked="" type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">4930</span>	No <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">4940</span>
3. Personnel employed at end of reporting period:		
A. Income producing personnel .....		8 <span style="border: 1px solid black; padding: 0 5px;">4950</span>
B. Non-income producing personnel (all other) .....		6 <span style="border: 1px solid black; padding: 0 5px;">4960</span>
C. Total .....		14 <span style="border: 1px solid black; padding: 0 5px;">4970</span>
4. Actual number of tickets executed during current month of reporting period .....		<span style="border: 1px solid black; padding: 0 5px;">4980</span>
5. Number of corrected customer confirmations mailed after settlement date .....		<span style="border: 1px solid black; padding: 0 5px;">4990</span>

	No. of Items	Debit (Short Value)	No. of Items	Credit (Long Value)
6. Money differences .....	0 <span style="border: 1px solid black; padding: 0 5px;">5000</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5010</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5020</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5030</span>
7. Security suspense accounts .....	0 <span style="border: 1px solid black; padding: 0 5px;">5040</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5050</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5060</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5070</span>
8. Security difference accounts .....	0 <span style="border: 1px solid black; padding: 0 5px;">5080</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5090</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5100</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5110</span>
9. Commodity suspense accounts .....	0 <span style="border: 1px solid black; padding: 0 5px;">5120</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5130</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5140</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5150</span>
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 <span style="border: 1px solid black; padding: 0 5px;">5160</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5170</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5180</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5190</span>
11. Bank account reconciliations — unresolved amounts over 30 calendar days .....	0 <span style="border: 1px solid black; padding: 0 5px;">5200</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5210</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5220</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5230</span>
12. Open transfers over 40 calendar days, not confirmed .....	0 <span style="border: 1px solid black; padding: 0 5px;">5240</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5250</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5260</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5270</span>
13. Transactions in reorganization accounts — over 60 calendar days .....	0 <span style="border: 1px solid black; padding: 0 5px;">5280</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5290</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5300</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5310</span>
14. Total .....	0 <span style="border: 1px solid black; padding: 0 5px;">5320</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5330</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5340</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5350</span>

	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 <span style="border: 1px solid black; padding: 0 5px;">5360</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5361</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5362</span>
16. Failed to receive 11 business days or longer (21 business Days or longer in the case of Municipal Securities) .....	0 <span style="border: 1px solid black; padding: 0 5px;">5363</span>	\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5364</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5365</span>
17. Security concentrations (See instructions in Part I):			
A. Proprietary positions .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5370</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5371</span>
B. Customers' accounts under Rule 15c3-3 .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5374</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5375</span>
18. Total of personal capital borrowings due within six months .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5378</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5379</span>
19. Maximum haircuts on underwriting commitments during the period .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5380</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5381</span>
20. Planned capital expenditures for business expansion during next six months .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5382</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5383</span>
21. Liabilities of other individuals or organizations guaranteed by respondent .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5384</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5385</span>
22. Lease and rentals payable within one year .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5386</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5387</span>
23. Aggregate lease and rental commitments payable for entire term of the lease:			
A. Gross .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5388</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5389</span>
B. Net .....		\$ 0 <span style="border: 1px solid black; padding: 0 5px;">5390</span>	0 <span style="border: 1px solid black; padding: 0 5px;">5391</span>

OMIT PENNIES

# Marr, Miller & Myers, PSC

Certified Public Accountants  
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Corbin, Kentucky 40702

## COMMENTS ON NET CAPITAL AND RESERVE REQUIREMENTS

January 23, 2008

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, 2007, 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	\$ 706,864	\$ 706,864
Deductions from net worth	<u>71,768</u>	<u>71,768</u>
Net capital	<u>\$ 635,096</u>	<u>\$ 635,096</u>
Minimum net capital required:		
Aggregate indebtedness	\$ 25,466	\$ 25,466
Required percentage	<u>.0667</u>	<u>.0667</u>
Minimum net capital	<u>\$ 1,697</u>	<u>\$ 1,697</u>
Net capital in excess of minimum	<u>\$ 385,096</u>	<u>\$ 385,096</u>
Ratio of aggregate indebtedness to net capital	<u>4.01</u>	<u>4.01</u>

There were no 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.

*Marr, Miller & Myers, PSC*  
Certified Public Accountants

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Corbin, Kentucky 40702

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

January 23, 2008

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, 2007 and 2006, 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.

## Marr, Miller & Myers, PSC

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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, 2007 and 2006, 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.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

**END**