

Dupree & Company, Inc.  
125 South Mill Street, Suite 100  
Lexington, KY 40507  
(859) 254-7741  
(800) 866-0614  
(859) 254-1399 Facsimile

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*This brochure provides information about the qualifications and business practices of Dupree & Company, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 866-0614. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Dupree & Company, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Table of Contents**

<b>Advisory Business.....</b>	<b>1</b>
<b>Fees and Compensation.....</b>	<b>1</b>
<b>Performance-Based Fees &amp; Side-by-Side Management.....</b>	<b>2</b>
<b>Types of Clients.....</b>	<b>2</b>
<b>Methods of Analysis, Investment Strategies &amp; Risk of Loss.....</b>	<b>2</b>
<b>Disciplinary Information.....</b>	<b>2</b>
<b>Other Financial Industry Activities &amp; Affiliations.....</b>	<b>2</b>
<b>Code of Ethics, Participation or Interest in Client Transactions &amp; Personal Trading.....</b>	<b>2</b>
<b>Brokerage Practices.....</b>	<b>2</b>
<b>Review of Accounts.....</b>	<b>3</b>
<b>Client Referrals &amp; Other Compensation.....</b>	<b>3</b>
<b>Custody.....</b>	<b>3</b>
<b>Investment Discretion.....</b>	<b>3</b>
<b>Voting Client Securities.....</b>	<b>4</b>
<b>Financial Information.....</b>	<b>4</b>

### **Advisory Business**

Dupree and Company, Inc. ("Dupree") began business in Harlan, Kentucky in 1941 as a small securities brokerage firm specializing in tax-exempt municipal bonds. In 1963, Dupree moved its offices to Lexington, Kentucky. The principal owner is Thomas P. Dupree, Sr.

Dupree offers advisory services solely to Dupree Mutual Funds (the "Trust"), an investment company registered under the Investment Company Act of 1940. The Trust is comprised of a total of ten (10) no-load open-end mutual funds or Series as follows: eight (8) single-state tax-exempt municipal bond Series, one (1) taxable municipal bond Series, and one (1) U.S. Government bond Series. Dupree provides advisory services and manages the assets of the Trust on a discretionary basis. As of January 23, 2012, the combined amount of assets of all ten (10) Series under management was \$1,328,916,896.34.

### **Fees and Compensation**

As compensation for its advisory services to each tax-exempt and taxable municipal bond Series, Dupree receives a fee computed based on the following fee schedule:

.50% of 1% on the first	\$100,000,000	(\$0.00 → \$100,000,000)
.45% of 1% on the next	\$50,000,000	(\$100,000,001 → \$150,000,000)
.40% of 1% on the next	\$350,000,000	(\$150,000,001 → \$500,000,000)
.35% of 1% on the next	\$250,000,000	(\$500,000,001 → \$750,000,000)
.30% of 1% on the next	\$250,000,000	(\$750,000,001 → \$1,000,000,000)
.25% of 1% on all over	\$1,000,000,000	(\$1,000,000,001 → all over)

The advisory fee schedule for the U.S. Government bond Series is computed at the annual rate of .20% of 1% of the average daily net asset value of the fund.

All advisory fees are payable in arrears to Dupree in monthly installments. Dupree reserves the right to waive or refund investment advisory fees paid or payable to it under the Investment Advisory Agreement and assume and pay other operating expenses for all Series. The Investment Advisory Agreement is subject to termination by either party without penalty on sixty (60) days written notice to the other and terminates automatically in the event of its assignment.

Dupree also acts as Transfer Agent for the Trust. As compensation for its Transfer Agent services, the Trust has agreed to pay Dupree a fee for each Series computed on the following fee schedule:

.15% of 1% on the first \$20,000,000  
.12% of 1% on all over \$20,000,000

The transfer agent fee is payable in arrears to Dupree in monthly installments. The Transfer Agent agreement is subject to termination by either party upon ninety (90) days written notice to the other.

**Performance-Based Fees and Side-by-Side Management**

Not Applicable.

**Types of Clients**

The Trust is the only client of Dupree.

**Methods of Analysis, Investment Strategies and Risk of Loss**

Dupree's investment strategies are set forth in and limited by the Trust's Prospectus and Statement of Additional Information. Dupree primarily uses fundamental analysis and investment strategies. Dupree reviews research materials prepared by others, corporate rating services, annual reports, prospectuses, official statements, filings with the Securities and Exchange Commission, credit analysis materials prepared by third-parties, and various financial newspapers and publications in gathering information about the securities in which it invests. Dupree also monitors disclosures and filings made by issuers on the MSRB's Electronic Municipal Market Access System (EMMA) through Bloomberg terminals. This strategy involves a time risk in that the materials being reviewed could not reflect timely information.

The firm does not execute block trades.

**Disciplinary Information**

Not Applicable.

**Other Financial Industry Activities and Affiliations**

Dupree is also registered as a broker-dealer with FINRA. Management personnel are registered with FINRA as Principals. Dupree does not trade for its own account nor does it have any client accounts other than the Trust.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Dupree has in effect a Code of Ethics covering all employees. A copy of the Code of Ethics is available to any client or prospective client upon request. The purpose of the Code is to prevent and prohibit any act to defraud any customers of Dupree & Company, Inc. This is implemented by prohibiting employees from making untrue statements, defrauding clients, engaging in fraud or engaging in any deceptive practices. Employees must report all personal trading activity in shares of the Trust and in securities owned by the Trust.

### **Brokerage Practices**

Brokers are chosen by a best bid/offer basis consistent with needs in terms of speed, availability and reliability. Dupree receives no soft dollar benefits from any broker-dealers or third parties who do business with the Trust.

### **Review of Accounts**

Accounts are reviewed on a daily basis by management personnel. Accounts are also reviewed quarterly by the six (6) Trustees of the Trust.

### **Client Referrals and Other Compensation**

Dupree has entered into written agreements with five (5) registered investment advisers whereby Dupree compensates these advisers for investing their clients' assets in the Trust. These agreements are approved on an annual basis by the Trustees of the Trust. Disclosure of these arrangements is made to investors pursuant to the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Advisers Act"). These arrangements do not create any conflicts of interest.

### **Custody**

The only advisory services Dupree provides are to the Trust which is a registered investment company under the Investment Company Act of 1940. Accounts of registered investment companies are not subject to Rule 206(4)-2 of the Advisers Act. All assets of the Trust are held at a qualified custodian, US Bank.

Dupree also serves as the Transfer Agent to the Trust. Under Amended Rule 206(4)-2(d)(2) of the Advisers Act, an investment adviser is deemed to have "custody" if a related person holds, directly or indirectly, client funds or securities, or has the authority to obtain possession of them, in connection with advisory services provided to clients. Accordingly, Dupree is deemed to have custody under the applicable rules because the Transfer Agent which is a related entity has authority to obtain possession of client funds, e.g., issue redemption checks when shares of the Trust are sold.

Advisers to pooled investment vehicles such as open-end mutual funds are deemed to satisfy the surprise examination requirement of the custody rule if the pooled investment vehicle is subject to an annual financial statement audit by a PCAOB-registered accountant and distributes the audited financial statements prepared in accordance with generally accepted accounting principles to its investors.

The financial statements of the Trust are prepared and audited in accordance with generally accepted accounting principles on an annual basis by Ernst & Young which is a PCAOB-registered accountant. The Trust's audited financial statements are distributed annually to investors in the Trust within 60 days of the end of the Trust's fiscal year (June 30).

**Investment Discretion**

Dupree provides advisory services to the Trust on a discretionary basis. Dupree's investment strategies are set forth and limited by the Trust's Prospectus and Statement of Additional Information.

**Voting Client Securities**

Dupree does not have authority to vote client securities. Dupree, in its capacity as Transfer Agent for the Trust, sends out proxies to investors in the Trust on an annual basis.

**Financial Condition**

Dupree does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Trust.

## **BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)\***

**Dupree & Company, Inc.**  
**125 S. Mill Street, Suite 100**  
**Lexington, Kentucky 40507**

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\*Information in this Brochure Supplement is current as of January 23, 2012.

**Supervised Persons:** Allen E. Grimes, III; Thomas P. Dupree, Sr.; Michelle M. Dragoo; Vincent H. Harrison; and Eugene M. Gard

This brochure supplement provides information about Allen E. Grimes, III, Thomas P. Dupree, Sr., Michelle M. Dragoo, Vincent H. Harrison, and Eugene M. Gard that supplements the Dupree & Company, Inc. brochure. You should have received a copy of that brochure. Please contact Michelle M. Dragoo if you did not receive a copy of the Dupree & Company, Inc. brochure or if you have any questions about the contents of this supplement.

Additional information about Dupree & Company, Inc. is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

### **DUPREE & COMPANY, INC.**

**Thomas P. Dupree, Sr., Chairman**

**Date of Birth:** July 10, 1930

**Educational Background:** Yale University, B.S. Economics (1952)

**FINRA Administered Qualification Exams Passed:** Series 7 (General Securities Representative); Series 24 (General Securities Principal); Series 27 (Financial and Operations Principal); Series 63 (Uniform Securities Agent State Law Exam); Series 52 (Municipal Securities Representative); Series 53 (Municipal Securities Principal)

**Business Experience:** Mr. Dupree has been an employee of Dupree & Company, Inc. since 1955 with various degrees or ownership during that period of time to the present.

**Disciplinary Information:** None

**Other Professional Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Dupree's activities are supervised by Allen E. Grimes and Michelle M. Dragoo.

The contact information for Allen E. Grimes and Michelle M. Dragoo is as follows:

Allen E. Grimes: (859) 254-7741; [agrimes@dupree-funds.com](mailto:agrimes@dupree-funds.com)

Michelle M. Dragoo: (859) 254-7741; [mdragoo@dupree-funds.com](mailto:mdragoo@dupree-funds.com)



**Allen E. Grimes, III, President and Chief Compliance Officer**

**Date of Birth:** August 3, 1962

**Educational Background:** Emory University, B.A. Economics, B.A. History (1983); London School of Economics, M.Sc., Economic History (1985); University of Kentucky College of Law, J.D. (1989)

**Bar Admissions:** Virginia, 1989 (inactive); Kentucky, 1991 (active); District of Columbia, 1992 (inactive)

**FINRA Administered Qualification Examinations Passed:** Series 7 (General Securities Representative); Series 24 (General Securities Principal); Series 27 (Financial and Operations Principal); Series 63 (Uniform Securities Agent State Law Exam); Series 99 (Operations Professional)

**Business Experience:** Mr. Grimes has worked with Dupree & Company, Inc. since December 2004. Prior to that, Mr. Grimes was engaged in the private practice of law.

**Disciplinary Information:** None

**Other Professional Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Grimes advisory and compliance related activities are supervised by Thomas P. Dupree, Sr. and Michelle M. Dragoo.

The contact information for Thomas P. Dupree, Sr. and Michelle M. Dragoo is as follows:

Thomas P. Dupree, Sr.: (859) 254-7741; [tdupree@dupree-funds.com](mailto:tdupree@dupree-funds.com)

Michelle M. Dragoo: (859) 254-7741; [mdragoo@dupree-funds.com](mailto:mdragoo@dupree-funds.com)

**Michelle M. Dragoo, Vice President, Secretary, Treasurer**

**Date of Birth:** May 16, 1961

**Educational Background:** University of Kentucky, B.S. Accounting (1993)

**FINRA Administered Qualification Examinations Passed:** Series 7 (General Securities Representative); Series 24 (General Securities Principal); Series 27 (Financial and Operations Principal); Series 63 (Uniform Securities Agent State Law Exam); Series 99 (Operations Professional)

**Business Experience:** Ms. Dragoo has worked with Dupree & Company, Inc. since February 1987.

**Disciplinary Information:** None

**Other Professional Activities:** None

**Additional Compensation:** None

**Supervision:** Ms. Dragoo's activities are supervised by Thomas P. Dupree, Sr. and Allen E. Grimes.

The contact information for Thomas P. Dupree, Sr. and Allen E. Grimes is as follows:

Thomas P. Dupree, Sr.: (859) 254-7741; [tdupree@dupree-funds.com](mailto:tdupree@dupree-funds.com)

Allen E. Grimes: (859) 254-7741; [agrimes@dupree-funds.com](mailto:agrimes@dupree-funds.com)

**Vincent H. Harrison**

**Date of Birth:** March 16, 1971

**Educational Background:** Eastern Kentucky University, B.S. Finance (1993); B.S. Real Estate (1993)

**FINRA Administered Qualification Examinations Passed:** Series 7 (General Securities Representative); Series 63 (Uniform Securities Agent State Law Exam)

**Business Experience:** Mr. Harrison has worked with Dupree & Company, Inc. since March 1994.

**Disciplinary Information:** None

**Other Professional Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Harrison's activities are supervised by Allen E. Grimes and Michelle M. Dragoo.

The contact information for Allen E. Grimes and Michelle M. Dragoo is as follows:

Allen E. Grimes: (859) 254-7741; [agrimes@dupree-funds.com](mailto:agrimes@dupree-funds.com)

Michelle M. Dragoo (859) 254-7741; [mdragoo@dupree-funds.com](mailto:mdragoo@dupree-funds.com)

**Eugene M. Gard**

**Date of Birth:** July 26, 1979

**Educational Background:** United States Naval Academy, B.S. Electrical Engineering (2001)

**FINRA Administered Qualification Examinations Passed:** Series 7 (General Securities Representative); Series 63 (Uniform Securities Agent State Law Exam)

**Business Experience:** Mr. Gard has worked with Dupree & Company, Inc. since March 2008. Prior to joining Dupree & Company, Inc., Mr. Gard worked for Amazon.com (2007-2008) and served in the United States Navy from 2001-2007.

**Certifications:** Mr. Gard has completed all three examination portions of the CFA (Chartered Financial Analyst) program, and his CFA Charter will be awarded upon completion of the required work experience (expected July 2012).

**Disciplinary Information:** None

**Other Professional Activities:** None

**Additional Compensation:** None

**Supervision:** Mr. Gard's activities are supervised by Allen E. Grimes and Michelle M. Dragoo.

The contact information for Allen E. Grimes and Michelle M. Dragoo is as follows:

Allen E. Grimes: (859) 254-7741; [agrimes@dupree-funds.com](mailto:agrimes@dupree-funds.com)

Michelle M. Dragoo (859) 254-7741; [mdragoo@dupree-funds.com](mailto:mdragoo@dupree-funds.com)