

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4546 / October 5, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17616

In the Matter of

Dupree Financial Group, LLC

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e) AND
203(k) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Dupree Financial Group, LLC (“Dupree Financial” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

These proceedings arise out of the failure of Dupree Financial, a registered investment adviser, to conduct annual compliance reviews over a multi-year period. Pursuant to Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, it is unlawful for a registered investment adviser to provide investment advice to clients unless the adviser completes annual reviews of the adequacy of its compliance policies and procedures and the effectiveness of their implementation. From the time Dupree Financial registered with the Commission in June 2010 through 2014, it failed to perform annual compliance reviews. Based on these actions, Dupree Financial willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

Respondent

1. **Dupree Financial Group, LLC** is a Kentucky limited liability company based in Lexington, Kentucky. Thomas P. Dupree, Jr. ("Dupree") founded Dupree Financial in 2003 and is its sole shareholder. On or around June 4, 2010, Dupree Financial registered with the Commission as an investment adviser. Dupree Financial primarily provides retirement investment advice to about 600 individual clients with assets under management ("AUM") of approximately \$156 million.

Background

2. Under Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, an investment adviser must review, no less frequently than annually, the adequacy of its compliance policies and procedures established pursuant to Rule 206(4)-7 and the effectiveness of their implementation.

3. From June 2010 through the present, Dupree Financial's policies and procedures required, among other things, that Dupree Financial's Chief Compliance Officer ("CCO") conduct a documented review of its compliance policies and procedures each year, consistent with its obligations under the Advisers Act.

4. The staff of the Commission's Office of Compliance Inspections and Examinations commenced an examination of Dupree Financial in August 2014. As of August 2014, Dupree Financial had never completed an annual compliance review, notwithstanding the provisions of Rule 206(4)-7 and Dupree Financial's own policies and procedures. Indeed, prior to August 2014, neither Dupree nor the CCO were aware of the obligation to complete such reviews.

5. In 2010 and 2013, Dupree Financial retained external compliance consultants to assist in developing its compliance program. Despite those efforts, the firm did not complete an annual compliance review during the relevant period.

6. When Dupree Financial registered with the Commission as an investment adviser in June 2010, Dupree appointed the firm's administrative assistant as CCO. The CCO had no prior investment adviser compliance experience and no background in compliance. After being appointed as Dupree Financial's CCO, the employee's administrative duties continued to occupy a significant portion of her time. Although Dupree and the CCO discussed the possibility of the CCO seeking compliance education, the CCO never obtained any formal training concerning the compliance requirements of the Advisers Act.

7. Dupree Financial's prior CCO stepped down in May 2015, and now solely performs her administrative duties. Also in May 2015, Dupree Financial appointed a new CCO. Dupree Financial's new CCO has obtained education and training concerning the compliance requirements of the Advisers Act. Dupree Financial also hired an experienced outside consulting firm to oversee the firm's entire compliance function, resulting in revamped policies and procedures contained within a new compliance manual designed to ensure compliance with the federal securities laws.

8. During March 2016, Dupree Financial performed its annual compliance review for the year 2015.

Violations

9. As a result of its failure to perform annual compliance reviews as described in paragraph 4 above, Dupree Financial willfully violated Section 206(4) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser, and Rule 206(4)-7 thereunder, which requires, among other things, that a registered investment adviser review, at least annually, its written policies and procedures and the effectiveness of their implementation.

Respondent's Remedial Efforts

10. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Dupree Financial's Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Dupree Financial cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder.

B. Respondent Dupree Financial is censured.

C. Respondent Dupree Financial shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Dupree Financial as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Steven Klawans, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary