

Item 1 – Cover Page

**Form ADV Part 2A: FIRM BROCHURE**

**DUPREE FINANCIAL GROUP, LLC**

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**March 5, 2018**

This brochure provides information about the qualifications and business practices of Dupree Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (859) 233-0400 or bambrose@dupreefinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Dupree Financial Group, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information you can use to determine to hire or retain an adviser.

Additional information about Dupree Financial Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On February 20, 2017, Thomas P. Dupree, Jr., the firm's owner, was appointed Fayette County (Kentucky) Judge Executive by Governor Matt Bevin. This office has limited authority as specified Charter and Code of Ordinances of Lexington-Fayette County Merged Government. He resigned during November 2018. There appears to be no material conflict of interest with Mr. Dupree holding this position.

Pursuant to SEC rules, Dupree Financial Group will provide a summary of material changes to its brochure within 120 days of the close of its fiscal year. Dupree Financial Group may provide further disclosures about material changes, as deemed necessary. Additionally, Dupree Financial Group will provide to clients a new brochure as necessary, without charge.

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## Item 4 – Advisory Business

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

Founded in 2003 by Thomas P. Dupree, Jr., Dupree Financial Group, LLC (“Dupree Financial Group” or “we” or “our” or the “Firm”) is registered as an investment adviser with the SEC. Dupree Financial Group is a limited liability company formed under the laws of the State of Kentucky.

Dupree Financial Group is owned by Thomas P. Dupree, Jr.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Our primary purpose is managing investment assets for retirees and those planning to retire. We tailor investment advisory services to the specific needs of each of our clients. Our investment recommendations are typically generated from Dupree Financial Group’s original research. We provide two types of investment advisory services for our clients: portfolio management services and asset management services. Client accounts for which we provide portfolio management services to are held at independent brokerage firms; our primary investment custodians are TD Ameritrade and Fidelity. We also provide asset management advice for retirement accounts held at retirement investment providers other than TD Ameritrade, based upon the client’s risk tolerance, investment objectives and other relevant information. Client accounts for which we provide asset management services to are held at an independent brokerage firm; the investment custodian for these clients is Fidelity Investments.

Dupree Financial Group works with each client to establish an investment policy, including determining investment goals and risk tolerance, establishing asset allocation parameters, establishing cash flow and liquidity requirements and setting reasonable expectations for investment returns. Based on the risk and return objectives set forth in each client’s investment policy, Dupree Financial Group recommends investments to create a diversified portfolio that best fits with the client’s goals and priorities and the opportunity set presented by changing market conditions.

Dupree Financial Group does not represent, warrant or imply that the services or methods of analysis employed by it can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

As mentioned above, Dupree Financial Group tailors its investment advisory services to the individual needs of its clients. In addition to investment advice for retirement accounts, we may provide advice on private placements, pooled investment vehicles and other alternative investments. Dupree Financial Group may also, in its discretion, advise a client on any other type of investment that we deem appropriate based on that client's stated goals and objectives or on any type of investment(s) held in that client's portfolio. Clients may impose restrictions on investing in certain securities or types of securities.

**D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

Dupree Financial Group does not participate in wrap fee programs.

**E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

As of December 31, 2017, Dupree Financial Group manages \$213,889,364.96, all of it on a discretionary basis.

## **Item 5 – Fees and Compensation**

**A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

Dupree Financial Group is paid a fee in consideration for the investment management services provided to its advisory clients at the rates agreed to in written advisory contracts. Our annual fees for portfolio management services and asset management advice are equal to a percentage of the market value of a client's account, as shown in the tables below. Portfolio management services include \$201,350,678.30. Asset management advice includes \$12,538,686.66. These annual fees are pro-rated and paid quarterly in advance based upon the quarter end market value of each client's account. The percentage calculation of the annual fee will not be increased without prior written notice to a client. Fees are negotiable, and Dupree Financial Group may deviate from the below listed fee investment fees in its sole discretion.

Portfolio Management Services

Account Size	Annualized Fee
\$0 to \$499,999.99	1.25%
\$500,000 to \$999,999.99	0.90%
\$1,000,000 to \$1,999,999.99	0.75%
\$2,000,000 to \$2,999,999.99	0.60%
\$3,000,000 and above	0.50%

Asset Management Advice

Account Size	Annualized Fee
\$0 to \$1,000,000	0.75%
Over \$1,000,000	0.50%

**B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

Generally, the qualified custodian holding a client's funds and securities will charge a client's account for the amount of the investment management services fee quarterly in advance and will remit such fee directly to Dupree Financial Group. If the terms of a client's account do not allow for direct withdrawal of the management and/or asset allocation advice fee, the client will be required to pay the fee directly to Dupree Financial Group within 30 days of receipt of an invoice from Dupree Financial Group. The qualified custodian should deliver a quarterly account statement directly to the client, showing all disbursements from the account. Clients are strongly encouraged to review all account statements for accuracy.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Dupree Financial Group's fee, and Dupree Financial Group does not presently receive any portion of these commissions, fees and costs.

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

As mentioned above in 5.B., generally the qualified custodian holding a client's funds and securities will charge a client's account for the amount of the investment management services fee quarterly in advance and will remit such fee directly to Dupree Financial Group. If the terms of a client's account do not allow for direct withdrawal of the management and/or asset allocation advice fee, the client will be required to pay the fee directly to Dupree Financial Group within 30 days of receipt of an invoice from Dupree Financial Group. Fees will be assessed pro rata in the event an investment advisory services agreement is executed at any time other than the first day of a calendar quarter. Dupree Financial Group or the client may terminate such investment advisory services agreement upon written notice to the other party. In the event of termination, fees will be charged on a pro rata basis and any unearned fees will be refunded to the client on a pro rata basis.

**E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither Dupree Financial Group nor any supervised person accepts compensation for the sale of securities or other products.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

Dupree Financial Group does not accept performance-based fees.

#### **Item 7 – Types of Clients**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Dupree Financial Group provides personalized investment advisory and portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other organizations and business entities. Although the minimum requirement to maintain an account is \$25,000, this minimum may be waived in the sole discretion of management.

Dupree Financial Group provides personal investment advisory and asset management services for the pension plans of individuals that are employees of the University of Kentucky. Dupree Financial Group negotiates the terms of such services as well as the fees of such services with these individual clients. For these asset management clients, there is no minimum requirement to maintain an account.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

Dupree Financial Group utilizes a value-based investment strategy. In its original meaning, this term was used to describe the purchase of securities which were trading below their net liquidating values. Today, these types of securities are more difficult to find. Value investing has come to mean investing in any security, which for various reasons, may be trading cheaper than similar securities in the marketplace.

Dupree Financial Group primarily takes a bottom up security analysis approach while choosing investments. A bottom up security analysis begins with specific businesses, regardless of industry or region, which is different from a top down security analysis, which begins with an analysis of global economics and international or national economic indicators. In researching companies, a company's financial information may be studied in detail, namely balance sheet, cash flow and income statements. Based on this information, Dupree Financial Group may evaluate certain performance metrics (*e.g.*, profit margin, debt/equity, return on equity, interest coverage) to determine operational efficiencies. We may also evaluate certain valuation metrics (*e.g.*, price/earnings, price/cash flow, book value) to determine relative value. While investing in mutual funds, the goal is to understand the fund's investment philosophy, the investment manager's track record and performance of the fund over a period of time.

In addition, we also may consider various economic and market data published by the Federal Reserve and other governmental and private agencies. Dupree Financial Group also studies reports published by third party investment managers and analysts, newsletters, newspapers and magazines to assess the state of the economy and obtain investment ideas.

Dupree Financial Group invests in securities that appear to be trading at or below a valuation metric we deem appropriate. We tend to be long-term investors and constantly monitor the price in relation to what we deem to be fair value of a security. We determine the proper diversification strategy on a case-by-case basis. If a particular security represents a very low or high percentage of a portfolio, we may rebalance by buying or selling that security. In addition, we may recommend dividend reinvestment to clients who are not in need of income and have a longer investment horizon.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

An investment using the Dupree Financial Group value based investment strategy entails risks, including, but not limited to, the possibility of a complete loss of the amount invested. Many market-related and other factors, some of which cannot be anticipated, could result in an investor losing a major portion or all of his investment or prevent a client account from generating profits. Dupree Financial Group investment strategies are subject to general investment risks, such as securities market volatility and illiquidity; adverse political or economic events, global developments, developments in a particular industry, changes in interest rates; operational risks; in the case of debt securities, reinvestment risk and credit risk; inaccuracies in company-issued financial statements; and sustained periods of adverse securities market performance.

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

Investing in securities involves risk of loss that clients should be prepared to bear. All securities that Dupree Financial Group invests in have both business and market risk associated with them. In addition, fixed income investments such as bonds or certain REIT's can be susceptible to interest rate, duration, pre-payment and default risk. Securities of companies based in overseas markets may carry political and currency risk. Commodity related investments might also carry additional volatility risk. Business risk is inherent in any investment in the stock or bonds of a private or publicly traded company, such as the risk that the underlying business may not succeed and might be unable to meet its financial obligations in a timely fashion. Market risk is the risk that even though the business may be solvent, its stock or bonds may drop in value because of market conditions beyond the control of the company. Interest rate risk primarily affects bonds and other fixed income investments. This is the risk that higher general interest rates may lead to lower bond prices as the fixed coupon from bonds becomes less attractive in a higher interest rate environment. Duration risk can occur as interest rates increase, in the case of mortgage backed securities that tend to prepay more principal in a low

interest rate environment, these securities will lengthen their duration which is the time over which principal will be returned to the investor. A longer duration bond becomes potentially more volatile in price. Prepayment risk is the opposite of duration risk; it is the risk that the investor gets money back from the investment quicker than expected thereby lowering the yield on the investment. Default risk is the same as business risk, except in the case of a technical default which may occur because of a bond issuer's failure to comply with a legal requirement of the bond issue.

### **Item 9 – Disciplinary Information**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Like other registered investment advisers, Dupree Financial Group is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Dupree Financial Group or the integrity of Dupree Financial Group's management.

In 2010, a former client filed an arbitration claim with FINRA against Raymond James Financial Services, Inc., which included Thomas Dupree, Jr., seeking restitution for losses incurred during 2008-09. The damage amount requested was \$1,600,000 and the amount granted in settlement was \$40,000. Mr. Dupree was dismissed from the claim with prejudice and without having to pay any consideration.

On October 5, 2016, the Securities and Exchange Commission issued an Administrative Order against the firm for failure to conduct annual compliance reviews over a multi-year period, pursuant to Section 206(4) of the Advisers Act. Under the order, Dupree Financial Group, LLC accepted a censure for its compliance lapses and agreed to pay a \$25,000 fine while also explicitly committing to avoid repeat violations of the relevant provisions of the Investment Advisers Act.

### **Item 10 – Other Financial Industry Activities and Affiliations**

**A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither Dupree Financial Group nor any of its management persons are registered or have an application pending to register as a broker-dealer, or associated person of the foregoing, and Dupree Financial Group does not anticipate such affiliations in the future.

**B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a**

**commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither Dupree Financial Group nor any of its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing. Dupree Financial Group does not anticipate such affiliations in the future.

**C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

- 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
- 3. Other investment adviser or financial planner**
- 4. Futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. Banking or thrift institution**
- 6. Accountant or accounting firm**
- 7. Lawyer or law firm**
- 8. Insurance company or agency**
- 9. Pension consultant**
- 10. Real estate broker or dealer**
- 11. Sponsor or syndicator of limited partnerships.**

Dupree Financial Group does not have arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, pension consultant, or real estate broker or dealer that are material to its advisory services.

Thomas Dupree, Jr. is the managing member of Dupree Energy Management, LLC, a private investment holding firm, and Dupree Energy Resources, LLC, operators of a natural gas fired generator that generates electricity which is sold to the local utility. This business arrangement is with Mr. Dupree himself and not Dupree Financial Group; Dupree Financial Group does not consider this arrangement to create a material conflict of interest for clients and does not receive management fees from it.

Dupree Financial Group has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, tax preparation, insurance brokerage, and other personal services. None of the above relationships, however, create a material conflict of interest with clients.

From time to time, Dupree Financial Group may receive training, information, promotional material, meals, gifts, or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Dupree Financial Group accept any benefits, gifts, or other arrangements that are conditioned on directing individual client transactions to a specific security, product, or provider.

**D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Dupree Financial Group does not receive compensation directly or indirectly for recommending or selecting other investment advisers for clients.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

##### **Code of Ethics**

As fiduciaries, Dupree Financial Group and its employees have certain legal obligations to put clients' interests ahead of their own. Dupree Financial Group has adopted a written code of ethics based on principles of openness, honesty, integrity and trust. At least once a year, each Dupree Financial Group employee is required to acknowledge this code and agree to be bound by it.

Dupree Financial Group's code of ethics covers standards of business conduct, supervised persons prohibited business practices; personal trading procedures; reporting of personal securities transactions; insider trading; procedures designed to detect and prevent insider trading; gifts and entertainment; outside business activities; and administration of the code of ethics.

Dupree Financial Group expects every employee to adhere strictly to these guidelines and demonstrate the highest standard of ethical conduct for continued employment with Dupree Financial Group. Firm personnel who violate the code of ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Personnel are also required to promptly report to the Chief Compliance Officer any violations of the code of ethics of which they become aware.

Dupree Financial Group will provide a copy of its Code of Ethics to any existing or prospective investor upon request to its Chief Compliance Officer, William M. Ambrose, at bambrose@dupreefinancial.com or (859) 233-0400.

**B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

**Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.**

#### **Participation or Interest in Client Transactions**

Dupree Financial Group employees may carry on investment activities for their own account and for family members, friends or others, and may give advice and recommend securities to vehicles or accounts which may differ from advice given to, or securities recommended or bought for, any Dupree Financial Group client, even though their investment objectives may be the same or similar. Dupree Financial Group employees may also trade in the securities and derivatives markets or make other investments for their own accounts and the accounts of their clients, and in doing so may take positions opposite to, or ahead of (including trading positions with preferential terms), those held by other Firm clients and may be competing with such clients for positions in the marketplace. Such trading may result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to clients. Records of this trading will not be available for inspection by clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Although it does not expect to, from time to time, Dupree Financial Group may complete securities trades (including outright purchases and sales) between a client accounts, known as a cross trade. In the rare event this occurs, any cross trading transactions conducted between client accounts will be made at the then market rate for similar transactions between unrelated parties and only where an independent pricing mechanism (such as the last sales price on the exchange where the security is principally traded) is available. Transactions between client accounts are completed for no consideration other than cash payment against prompt delivery of the relevant security or other instrument, are completed at current market prices, and do not involve any brokerage commissions, clearing charges, other transaction costs or fees, or other remuneration.

Neither Dupree Financial Group nor an employee may engage in principal transactions between a proprietary account and a client account without first obtaining the prior written approval of the Chief Compliance Officer and the consent of the client.

### **Conflicts of Interest**

As an investment adviser, Dupree Financial Group owes a fiduciary duty to its clients and may face unique conflicts on interests in the management of its business. As part of its fiduciary duty, the Firm must put the interests of its clients ahead of its own and, in doing so, must take reasonable steps to avoid conflicts of interest between the Firm and its clients. The Firm's fiduciary duty requires it to: (i) identify any actual or potential conflicts of interest; (ii) disclose them to clients; and (iii) take reasonable steps to mitigate the effects of such conflicts of interests on its clients.

Dupree Financial Group makes every reasonable effort to disclose actual or potential conflicts of interests to its clients. In addition, Dupree Financial Group considers it a best practice to continually evaluate its internal potential conflicts of interest and take action or make disclosures when appropriate. The Chief Compliance Officer will evaluate on an ongoing basis any conflicts of interest encountered; how to best address the conflict; what mitigation, if any, is required; and whether any disclosure is required to its clients. Dupree Financial Group does not consider disclosing and mitigating conflicts of interests with clients to be an isolated part of its operations and separate from its role of providing investment advisory services. The Firm considers its entire compliance program as part of the Firm-wide integrated effort to further these goals.

In the event that Dupree Financial Group encounters what it determines to be an actual conflict of interest in connection with a client or investment, Dupree Financial Group may take such actions as may be necessary or appropriate to ameliorate the conflict. These actions may include disposing of the asset giving rise to the conflict, appointing an independent fiduciary or obtaining advice from outside counsel. There can be no assurance that all conflicts of interest will be successfully resolved.

**C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe**

**your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

### **Personal Trading**

Dupree Financial Group may purchase or sell securities for clients which it and/or its employees own, have owned, or may own. The Firm has adopted procedures regarding personal trading by employees that are designed to prevent abuses that could occur as a result of the potential conflict of interest involved in such personal trading. For example, the code of ethics requires employees to submit on a periodic basis, personal securities transactions and holdings reports for review by the Chief Compliance Officer.

Dupree Financial Group's employees are permitted to make securities transactions in their personal accounts, subject to certain limitations. In particular, Dupree Financial Group employees may not knowingly trade for their own accounts in a manner that is detrimental to clients and they may not seek to profit from their knowledge that clients intend to engage in particular transactions. Employee personal trading presents potential conflicts of interest in that an employee could make improper use of information regarding clients' holdings or future transactions or research paid for by the Firm. Dupree Financial Group manages the potential conflicts of interest inherent in employee trading by strict enforcement of its code of ethics, which includes certain pre-clearance and reporting requirements.

Dupree Financial Group's code of ethics prohibits it and its employees from trading for clients or for themselves, or recommending trading, in securities of a company while in possession of material nonpublic information, and from disclosing such information to any person not entitled to receive it, in either case in contravention of applicable securities laws. Dupree Financial Group has adopted policies and procedures reasonably designed to control and monitor the flow of material nonpublic information to and within Dupree Financial Group as well as prevent trading based on material nonpublic information.

The Firm's code of ethics also requires pre-clearance for initial public offerings and limited offering transactions. Supervised persons are required to submit their brokerage account statements or quarterly transaction reports along with annual holding reports to the Chief Compliance Officer for review to confirm employees are abiding by Dupree Financial Group's personal trading requirements.

**D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Please refer to Items 11.A, 11.B, and 11.C.

## Item 12 – Brokerage Practices

**A.** Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

1. ***Research and Other Soft Dollar Benefits.*** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.
  - a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.
  - b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients’ interest in receiving most favorable execution.
  - c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.
  - d. Disclose whether you use soft dollar benefits to service all of your clients’ accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.
  - e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.
  - f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

In some cases, we have the authority to determine which broker, dealer or custodian to use for client accounts. We consider the following factors in recommending brokers, dealers or custodians to a client: the entity’s financial strength, reputation, execution, pricing and service; the quality of the

investment research; our prior experience with the entity; and any special execution, clearance, settlement, custody or recordkeeping capabilities. As a result we may not select the broker or entity with the lowest commission rate. In selecting brokers to execute transactions, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission. In return for effecting securities transactions through certain brokers, dealers or custodians, Dupree Financial Group may receive certain support services that assists it and its representatives in the investment decision-making process for a client.

Dupree Financial Group participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers’ services which include custody of securities, trade execution, clearance and settlement of transactions. Dupree Financial Group receives some benefits from TD Ameritrade through its participation in the program (see disclosures under Item 14 for more information). Dupree Financial Group and/or our representatives may receive benefits such as assistance with conferences and educational meetings from product sponsors.

Dupree Financial Group believes that TD Ameritrade provides “best execution” reasonably available to clients. In seeking “best execution,” the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although Dupree Financial Group seeks competitive commission rates, we may not necessarily obtain the lowest possible commission rates for a client’s account transactions when using TD Ameritrade.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Dupree Financial Group will limit the use of “soft dollars” to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e). Research and brokerage services within Section 28(e) may include, but are not limited to: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; analyses concerning specific securities, companies or sectors; and data services (including services providing market data, company financial data and economic data); services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an investment manager and a broker-dealer); and trading software operated by a broker-dealer to route orders.

Research and brokerage services obtained by the use of commissions arising from client transactions may be used by Dupree Financial Group in other investment activities and thus clients may not

necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

- 2. *Brokerage for Client Referrals.* If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**
  - a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.**
  - b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.**

Dupree Financial Group has not entered into any such referral arrangements.

- 3. *Directed Brokerage.***
  - a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.**
  - b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

When applicable, a client may direct Dupree Financial Group to use a particular broker to execute some or all transactions for such client's account, subject to Dupree Financial Group's right to decline and/or terminate the engagement. In the event a client directs Dupree Financial Group to use a particular broker, the client has the sole responsibility for negotiating commission rates and other transactions costs with the directed broker and will not be included in any aggregate trades placed, if applicable. As a result, a client directing brokerage may pay higher commissions or other transaction

costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case and a most favorable execution may not be obtained.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Generally, Dupree Financial Group will aggregate orders with respect to a security if such aggregation is consistent with achieving best execution for the various client accounts. When orders are aggregated, each participating account receives the average share price for the transaction and bears the standard brokerages fees, as applicable, based upon each account's participation in the transaction, subject to Dupree Financial Group's discretion, depending on factual or market conditions and the duty to achieve best execution for client accounts. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts.

In some cases, in our sole discretion, clients may not participate in an aggregate order, whether for restrictions placed upon the account or other reasons, such as size of the order or ability to receive a full fill of an order. Accordingly, in some instances different clients may receive different prices on securities transactions and a client may not be able to purchase or sell the same quantity of securities as another client.

### **Item 13 – Review of Accounts**

**A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Dupree Financial Group periodically reviews client accounts. Reviews of accounts are performed by Thomas Dupree, Jr., Michael Johnson and Phillip Sexton. Portfolio management accounts may be monitored on a continuous basis and may be reviewed on a semi-annual basis. Asset allocation accounts may be reviewed on a quarterly basis. Account review and management involves discussion and analysis of the client's goals and objectives, overall market, portfolio composition, industry composition and change in performance.

**B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Account reviews on other-than-periodic basis would occur in the event of performance anomalies or unexpected volatility. In addition to regular client account reviews, Dupree Financial Group may review client accounts when any of the following occur: any major change in the investment

environment; any major change in reported investment performance that is inconsistent with the investment environment and the client's risk parameters; any major change in a client's investment objectives or liquidity; or any major change in client assets under management.

**C. Describe the content and indicate the frequency of regular reports you provide to Clients regarding their accounts. State whether these reports are written.**

Clients should receive written reports and confirmations of all transactions directly from the broker-dealer or custodian for the client accounts. Dupree Financial Group may furnish the client with a compilation of the activity and the status of the client's account(s). Any such report is provided as an accommodation and clients are urged to compare custodial statement with Dupree Financial Group's reports and rely solely upon the reports issued by the broker-dealer/custodian of the assets.

#### **Item 14 – Client Referrals and Other Compensation**

**A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

As disclosed under Item 12 above, Dupree Financial Group participates in TD Ameritrade's institutional customer program and Dupree Financial Group may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Dupree Financial Group's participation in the program and the investment advice it gives to its clients, although Dupree Financial Group receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Dupree Financial Group participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Dupree Financial Group by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Dupree Financial Group's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Dupree Financial Group but may not benefit its client accounts. These products or services may assist Dupree Financial Group in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Dupree Financial Group

manage and further develop its business enterprise. The benefits received by Dupree Financial Group or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Dupree Financial Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Dupree Financial Group or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Dupree Financial Group's choice of TD Ameritrade for custody and brokerage services.

Dupree Financial Group also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the program. Specifically, the Additional Services include investment performance monitoring services from Morningstar, Inc. TD Ameritrade provides the Additional Services to Dupree Financial Group in its sole discretion and at its own expense, and Dupree Financial Group does not pay any fees to TD Ameritrade for the Additional Services. Dupree Financial Group and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Dupree Financial Group's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Dupree Financial Group, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Dupree Financial Group's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Dupree Financial Group, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Dupree Financial Group may have an incentive to recommend to its clients that the assets under management by Dupree Financial Group be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Dupree Financial Group's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

**B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

Under certain circumstances, investment advisers, like Dupree Financial Group, may compensate other parties for having referred clients or potential clients. These sorts of arrangements are generally referred to as solicitor arrangements. Dupree Financial Group does not currently participate in any solicitor arrangement(s), but reserves the right to do so at its discretion.

As described in Item 5 of this Firm Brochure, certain of Dupree Financial Group's supervised persons may receive other compensation in connection with the provision of investment advisory services to Dupree Financial Group's clients.

## Item 15 – Custody

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Dupree Financial Group does not have custody over client accounts. For those accounts where a client has authorized the custodian to debit fees for advisory services, the custodian or an independent third party, who is not a related person of Dupree Financial Group, makes all fee calculations and deducts the fees from the client's account; for such clients, Dupree Financial Group does not calculate the client's advisory fee and does not send a bill to the client. For clients where the custodian does not debit advisory fees directly, Dupree Financial Group bills the client directly for the advisory services fees and the client remits payment to the Firm. These bills are also calculated as specified above.

In addition, we do not maintain physical custody of client assets, but use various custodians to hold client securities. Further, we do not accept capital ourselves but direct our clients either to send their capital contributions directly to the appropriate qualified custodian or to make their contributions payable to the custodian for the benefit of their respective account.

Each client should receive account statements directly from the qualified custodian on at least a quarterly basis and should carefully review those statements carefully. In the event that a client also receives an account statement from Dupree Financial Group, each client is urged to compare the account statement they receive from the qualified custodian with the account statement they receive from Dupree Financial Group.

## Item 16 – Investment Discretion

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

Dupree Financial Group's investment management services are generally provided on a discretionary basis. At this time, we do not provide investment management services on a non-discretionary basis to any clients. Where Dupree Financial Group has discretionary management authority, Dupree Financial Group will be authorized to determine the securities to be bought or sold for the client's account(s), the amount of securities to be brought or sold, the timing of securities transactions and the broker or dealer to be used to execute client securities transactions. Dupree Financial Group's

investment advisory services agreement, and the agreement between the client and the custodian/broker-dealer for the account, may grant discretionary authority to Dupree Financial Group. Once a client executes an investment management or similar document with Dupree Financial Group, the Firm is not required to contact the client prior to transacting any business, unless otherwise specified. The client's written agreement with the custodian also grants a limited power of attorney to Dupree Financial Group to effect transactions in the client's custodial account.

Each client may request reasonable limitations be placed on Dupree Financial Group's discretionary authority, such as securities or market-sector based limitations. Any such limitations shall be presented to Dupree Financial Group in writing, and Dupree Financial Group will review any such requests on a case-by-case basis.

### **Item 17 – Voting Client Securities**

**A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

Dupree Financial Group does not vote proxies for clients.

**B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

Dupree Financial Group's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the client's investment assets. The client shall instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

## Item 18 – Financial Information

**A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

- 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**
- 2. Show parenthetically the market or fair value of securities included at cost.**
- 3. Qualifications of the independent public accountant and any accompanying independent public accountant’s report must conform to Article 2 of SEC Regulation S-X.**

We do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

**B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

Dupree Financial Group has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Dupree Financial Group has not been the subject of a bankruptcy proceeding.

## Brochure Supplement

### Form ADV Part 2B: BROCHURE SUPPLEMENT

#### Dupree Financial Group, LLC

237 East Main Street  
Lexington, Kentucky 40507  
(859) 233-0400  
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[www.dupreefinancial.com](http://www.dupreefinancial.com)

**March 5, 2018**

This brochure supplement provides information about employees of Dupree Financial Group, LLC (“Dupree Financial Group” or the “Firm”) that supplements Dupree Financial Group’s Brochure. Please contact William M. Ambrose, the Firm’s Chief Compliance Officer, at (859) 233-0400 or bambrose@dupreefinancial.com if you did not receive Dupree Financial Group’s Brochure or if you have any questions about the contents of this Brochure Supplement.

Additional information about Dupree Financial Group is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Thomas P. Dupree, Jr.**

Year of Birth: 1956

Founder and President

Dupree Financial Group, LLC

237 East Main Street

Lexington, Kentucky 40507

(859) 233-0400

**Item 2 – Educational Background and Business Experience**

Mr. Dupree received a B.A. in English from the University of the South. Since 2003, Mr. Dupree has been the Founder and President of Dupree Financial Group.

**Item 3 – Disciplinary Information**

In 2010, a former client filed an arbitration claim with FINRA against Raymond James Financial Services, Inc., which included Thomas Dupree, Jr., seeking restitution for losses incurred during 2008-09. The damage amount requested was \$1,600,000 and the amount granted in settlement was \$40,000. Mr. Dupree was dismissed from the claim with prejudice and without having to pay any consideration.

**Item 4 – Other Business Activities**

Mr. Dupree is the managing member of Dupree Energy Management, LLC which serves as the managing member of Dupree Energy Resources, LLC, operators of a natural gas fired generator that generates electricity which is sold to the local utility.

**Item 5 – Additional Compensation**

Mr. Dupree may receive additional compensation from his affiliation with Dupree Energy Management, LLC and/or Dupree Energy Resources, LLC in the form of profits from the venture.

**Item 6 – Supervision**

Mr. Dupree is supervised on compliance matters by William M. Ambrose, the Firm's Chief Compliance Officer, who may be reached at bambrose@dupreefinancial.com or (859) 233-0400.

**Michael A. Johnson**

Year of Birth: 1984

Investment Adviser Representative

Dupree Financial Group, LLC

237 East Main Street

Lexington, Kentucky 40507

(859) 233-0400

**Item 2 – Educational Background and Business Experience**

Mr. Johnson received a B.B.A. in Finance and Management from the University of Kentucky. Since 2006, Mr. Johnson has been an investment adviser representative of Dupree Financial Group.

**Item 3 – Disciplinary Information**

Mr. Johnson has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Mr. Johnson is not actively engaged in any outside business activities or occupation for compensation that could potentially create a conflict of interest with clients.

**Item 5 – Additional Compensation**

Mr. Johnson may receive additional compensation from his affiliation with Dupree Energy Management, LLC and/or Dupree Energy Resources, LLC in the form of profits from the venture. .

**Item 6 – Supervision**

Mr. Johnson is supervised on compliance matters by William M. Ambrose, the Firm's Chief Compliance Officer, who may be reached at bambrose@dupreefinancial.com or (859) 233-0400.

**Phillip E. Sexton**

Year of Birth: 1991

Investment Adviser Representative

Dupree Financial Group, LLC

237 East Main Street

Lexington, Kentucky 40507

(859) 233-0400

**Item 2 – Educational Background and Business Experience**

Mr. Sexton received a B.A. in Finance from the University of Kentucky. Since 2014, Mr. Sexton has been an investment adviser representative and research analyst at Dupree Financial Group. Prior to Dupree Financial Group, Mr. Sexton was a full-time student.

**Item 3 – Disciplinary Information**

Mr. Sexton has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Mr. Sexton is not actively engaged in any outside business activities or occupation for compensation that could potentially create a conflict of interest with clients.

**Item 5 – Additional Compensation**

Mr. Sexton does not receive an economic benefit for providing advisory services, other than the regular compensation paid by Dupree Financial Group.

**Item 6 – Supervision**

Mr. Sexton is supervised on compliance matters by William M. Ambrose, the Firm's Chief Compliance Officer, who may be reached at bambrose@dupreefinancial.com or (859) 233-0400.

**William M. Ambrose**

Year of Birth: 1958

Chief Compliance Officer

Dupree Financial Group, LLC

237 East Main Street

Lexington, Kentucky 40507

(859) 233-0400

**Item 2 – Educational Background and Business Experience**

Mr. Ambrose received a B.S. in Economics from Centre College. Since 2015, Mr. Ambrose has been Chief Compliance Officer at Dupree Financial Group. Prior to Dupree Financial Group, Mr. Ambrose was an independent consultant and accountant.

**Item 3 – Disciplinary Information**

Mr. Ambrose has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Mr. Ambrose acts as consultant and accountant to several firms, including Dupree Financial Group, Dupree Energy Resources, LLC and Dupree Energy Management, LLC.

**Item 5 – Additional Compensation**

Mr. Ambrose may receive additional compensation from his role as consultant and accountant for other firm; however such compensation does not create a conflict of interest with his role at Dupree Financial Group.

**Item 6 – Supervision**

Mr. Ambrose is supervised on compliance matters by Thomas P. Dupree, Jr., the Firm's Founder and President, who may be reached at [tdupree@dupreefinancial.com](mailto:tdupree@dupreefinancial.com) or (859) 233-0400.