

DUPREE MUTUAL FUNDS

2009 TAX INFORMATION

Forms 1099-B, 1099-DIV, and 1099-INT are reported on a consolidated tax reporting statement ("tax reporting statement").

You will receive a tax reporting statement for each of your Dupree Mutual Funds accounts. An explanation of each section of the tax reporting statement is provided below.

FORM 1099-B (PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS)

When you redeem or exchange mutual fund shares it may result in a taxable gain or a deductible loss. Form 1099-B is used to report gross proceeds received from the sale of shares held in **non-retirement** accounts. The dollar amount reported on your Form 1099-B will be the total amount of redemptions made on an account.

Be sure to furnish your tax preparer with a copy of your December 31 year-end statement for each account you have along with your tax reporting statement. Your December 31 year-end statement provides an average cost per share basis for each redemption transaction. Your tax preparer may use this average cost per share information to determine whether you incurred a capital gain or loss on the sale of shares. Your tax preparer may also choose to use another method acceptable to the IRS to calculate cost basis.

FORM 1099-DIV (DIVIDENDS & DISTRIBUTIONS)

We must report to the IRS any **taxable income** and **capital gains distributions** paid on your mutual fund account over \$10. Form 1099-DIV will be sent to shareholders of the following funds:

Intermediate Government Bond Series

For the dividends earned on your non-retirement account for amounts greater than \$10. For state tax reporting purposes of the taxable amount given as ordinary dividends on Line 1 of your Form 1099-DIV, only 31.60% is subject to state tax.

Kentucky Tax-Free Income Series

To report the long-term capital gain distribution made on the fund's portfolio for amounts greater than \$10. The Kentucky Tax-Free Income Series made a long-term capital gain distribution of .015133 per share to shareholders of record as of December 2, 2009.

FORM 1099-INT (INTEREST INCOME)

All interest paid on tax-exempt bonds and **exempt-interest dividends** from a mutual fund over \$10 must be reported on IRS Form 1099-INT. Shareholders invested in any of Dupree's municipal bond funds will receive Form 1099-INT for amounts greater than \$10. The dollar amount reported on Line 8 of Form 1099-INT ("Tax-Exempt Interest") is the total amount of exempt-interest dividends you received during 2009. The total amount of exempt-interest dividends you received during 2009 can also be found on your 12-31-09 year-end account statement.

The dollar amount reported on Line 9 of Form 1099-INT ("Specified Private Activity Bond Interest") is zero because Dupree does not buy any municipal bonds that are subject to the Alternative Minimum Tax (AMT).

RETIREMENT ACCOUNTS

FORM 1099-R (DISTRIBUTIONS FROM PENSIONS, ANNUITIES, RETIREMENT or PROFITSHARING PLANS, IRAS, or INSURANCE CONTRACTS)

Shareholders with IRA accounts invested in the Intermediate Government Bond Series who redeemed (sold) shares in 2009 will be sent a Form 1099-R. The dollar amount reported on your Form 1099-R will be the total amount of distributions you received from your IRA account in 2009. Form 1099-R also shows the federal income tax withheld from your distributions, if any.

FORM 5498 (IRA CONTRIBUTION INFORMATION)

Form 5498 reports 2009 contributions and rollovers to Traditional/Roth IRAs and SEP accounts. Form 5498 will be sent to IRA account owners that added money to their IRA account in 2009. The dollar amount reported on Form 5498 is the total amount of contributions made to your account in 2009. Form 5498 also reports the fair market value of the account as of 12/31/09.

For IRA account owners who are age 70 ½ or older, the December 31 market value will be used to calculate your Required Minimum Distribution ("RMD") payment for tax year 2010. The December 31 market value reported on your Form 5498 should match the market value on your 12/31/09 year-end account statement.

On or before January 31, 2010, we will send all IRA owners 70 ½ or older who are required to take a RMD from their IRA account for 2010 a current calculation of what their RMD payment should be for 2010. You can choose to take the RMD payment at anytime during 2010. It is your responsibility to ensure that all requested distributions satisfy IRS requirements including the requirement that all distributions be taken by December 31, 2010.

Forms 1099-B, 1099-DIV, 1099-INT and 1099-R will be sent to shareholders by January 31, 2010. Form 5498 is sent to shareholders by May 31, 2010 because you can contribute to your IRA for the prior tax year (2009) up until April 15, 2010.

If you have any questions about this information or need additional assistance, please give us a call at 1-800-866-0614.

Please save both your year-end statement and this tax information sheet as you or your tax preparer will need them to prepare your taxes

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