DUPREE MUTUAL FUNDS

TAX-EXEMPT MUNICIPAL BOND FUNDS

Alabama Tax-Free Income Series — DUALX
Kentucky Tax-Free Income Series — KYTFX
Kentucky Tax-Free Short-to-Medium Series — KYSMX
Mississippi Tax-Free Income Series — DUMSX
North Carolina Tax-Free Income Series — NTFIX
North Carolina Tax-Free Short-to-Medium Series — NTSMX
Tennessee Tax-Free Income Series — TNTIX
Tennessee Tax-Free Short-to-Medium Series — TTSMX

TAXABLE MUNICIPAL BOND FUND

Taxable Municipal Bond Series — DUTMX

GOVERNMENT BOND FUND

Intermediate Government Bond Series — DPIGX

PROSPECTUS

November 1, 2011

This Prospectus is a concise statement of information about Dupree Mutual Funds (the "Trust") that you should know before investing. This Prospectus should be kept for future reference.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

Dupree Mutual Funds • P.O. Box 1149 • Lexington, Kentucky 40588-1149
(859) 254-7741 • (800) 866-0614

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Alabama Tax-Free Income Series

INVESTMENT OBJECTIVES
The Fund seeks to provide a high level of tax-free income derived from Alabama municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Alabama Tax-Free Income Series
Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Alabama Tax-Free Income Series
Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.15
Other Expenses	0.13
Total Annual Fund Operating Expenses	0.78

Example
The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$82	$256	$445	$992

You would pay the same expenses assuming no redemption.

Portfolio Turnover
The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 4.70% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies
The Fund seeks to provide a steady flow of tax-exempt income derived from Alabama municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally greater than 10 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Alabama. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be tax-exempt from Federal and Alabama income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Alabama income taxes. The nominal maturity of the Fund will normally be 10 years or more. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 17.51 years and an effective maturity of 6.72 years as of June 30, 2011.

Principal Risks of Investing
You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

Alabama's non-agricultural economy is diversified among the following sectors: textiles, automobile, aerospace, manufacturing, and forest products industries. Alabama's current-dollar Gross Domestic Product (GDP) for 2010 was \$172.6 billion which ranked 26th in the United States. In 2010, government was the largest industry in Alabama which accounted for 17.1 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 9.9 percent of GDP. The automobile manufacturing and automotive parts industries remain vital parts of the state's economy. In 2010, Alabama had per capita personal income of \$33,945 (preliminary data) which ranked 42nd in the United States (Source: Bureau of Economic Analysis).

The state's annual average unemployment rate stood at 9.9 percent at the end of June 2011 compared with the national average unemployment rate of 9.2 percent. (Source: US Bureau of Labor Statistics) Alabama had net tax-supported debt per capita of \$856 as of calendar year-end 2010 which represented 2.4 percent of 2010 personal income. The state's debt burden was slightly lower than the national net tax-supported debt median of \$1,066 (Source: Moody's Investors Services, Special Comment: "*2011 State Debt Median Report*", June 3, 2011). As of June 30, 2011, Alabama's general obligation debt was rated Aa1 by Moody's Investors Service and AA by Standard & Poor's.

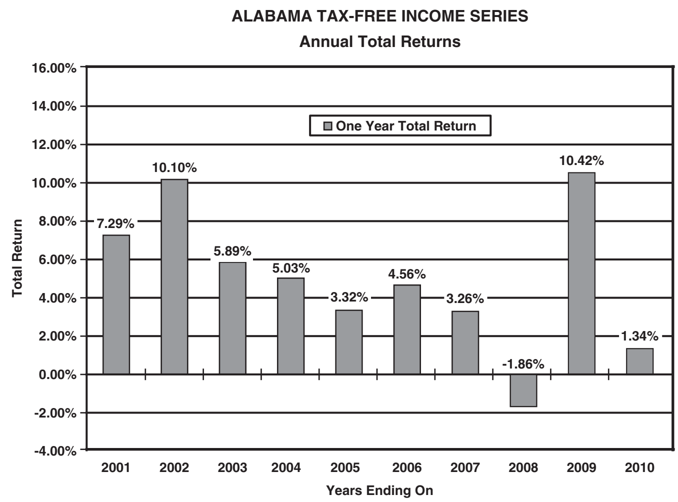
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.72%	September 30, 2009
Lowest Quarter Total Return:	-4.71%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	8.74%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	1.33%	3.48%	4.90%
Return After Taxes on Distributions (%)	1.33%	3.47%	4.89%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.25%	3.56%	4.85%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found on pages 32-35.

Kentucky Tax-Free Income Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of tax-free income derived from Kentucky municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Kentucky Tax-Free Income Series
Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Kentucky Tax-Free Income Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.39
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.12
Other Expenses	0.07
Total Annual Fund Operating Expenses	0.58

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual Funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$61	$191	$332	$745

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 11.42% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of tax-exempt income derived from Kentucky municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally greater than 10 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Kentucky. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and Kentucky income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Kentucky income taxes. The nominal maturity of the Fund will normally be 10 years or more. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 14.16 years and an effective maturity of 5.88 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a Fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

The Commonwealth of Kentucky's non-agricultural economy is diversified among the following sectors: services, wholesale and retail trade, manufacturing, and government. Kentucky's current-dollar GDP for 2010 was $163.3 billion which ranked 28th in the United States. In 2010, the largest industry in Kentucky was government which accounted for 16.6 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 9.2 percent of GDP. Manufacturing is also an important sector, but its importance has declined somewhat as Kentucky has evolved towards a more service oriented economy. Kentucky's abundance of coal has continued to provide stable employment and coal severance tax revenues for the state. In 2010, Kentucky had per capita personal income of $33,348 (preliminary data) which ranked 44th in the United States (Source: Bureau of Economic Analysis).

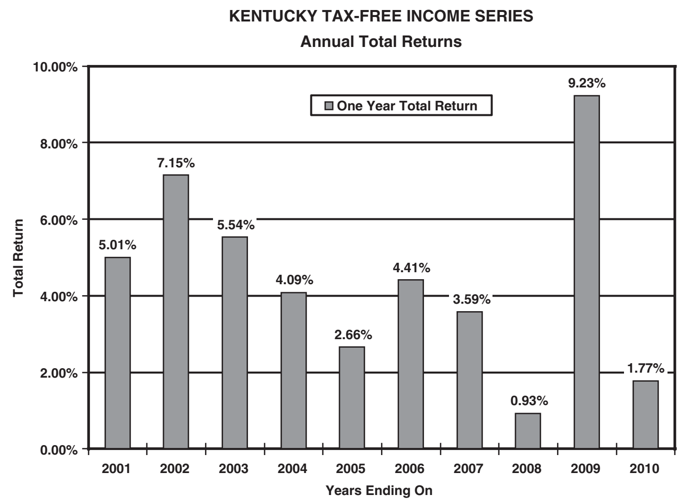
The state's annual average unemployment rate stood at 9.6 percent at the end of June 2011 compared with the national average of 9.2 percent (Source: U.S. Bureau of Labor Statistics). Kentucky had net tax-supported debt per capita of $1,961 as of calendar year-end 2010 which represented 5.4 percent of 2010 personal income. The Commonwealth's debt burden was substantially above the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report"*, June 3, 2011). As of June 30, 2011, Kentucky's appropriation supported debt was rated Aa3 by Moody's Investors Service and A+ by Standard & Poor's.

The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is diversified. A diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.15%	September 30, 2009
Lowest Quarter Total Return:	-3.68%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	7.69%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	1.51%	3.86%	4.38%
Return After Taxes on Distributions (%)	1.51%	3.85%	4.37%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.33%	3.89%	4.37%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

Kentucky Tax-Free Short-to-Medium Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of tax-free income derived from Kentucky municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Kentucky Tax-Free Short to Medium Series Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Kentucky Tax-Free Short to Medium Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.12
Other Expenses	0.10
Total Annual Fund Operating Expenses	0.72

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$76	$237	$411	$918

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 15.37% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of tax-exempt income derived from Kentucky municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally ranging from 2-7 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Kentucky. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and Kentucky income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Kentucky income taxes. The nominal maturity of the Fund will normally be between 2-7 years. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 5.61 years and an effective maturity of 4.44 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

The Commonwealth of Kentucky's non-agricultural economy is diversified among the following sectors: services, wholesale and retail trade, manufacturing, and government. Kentucky's current-dollar GDP for 2010 was $163.3 billion which ranked 28th in the United States. In 2010, the largest industry in Kentucky was government which accounted for 16.6 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 9.2 percent of GDP. Manufacturing is also an important sector, but its importance had declined somewhat as Kentucky has evolved towards a more service oriented economy. In 2010, Kentucky's abundance of coal has continued to provide stable employment and coal severance tax revenues for the state. Kentucky had per capita personal income of $33,348 (preliminary data) which ranked 44th in the United States (Source: Bureau of Economic Analysis).

The state's annual average unemployment rate stood at 9.6 percent at the end of June 2011 compared with the national average of 9.2 percent (Source: U.S. Bureau of Labor Statistics). Kentucky had net tax-supported debt per capita of $1,961 as of calendar year-end 2010 which represented 5.4 percent of 2010 personal income. The Commonwealth's debt burden was substantially above the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: "*2011 State Debt Medians Report",* June 3, 2011*).* As of June 30, 2011, Kentucky's appropriation supported debt was rated Aa3 by Moody's Investors Services and A+ by Standard & Poor's.

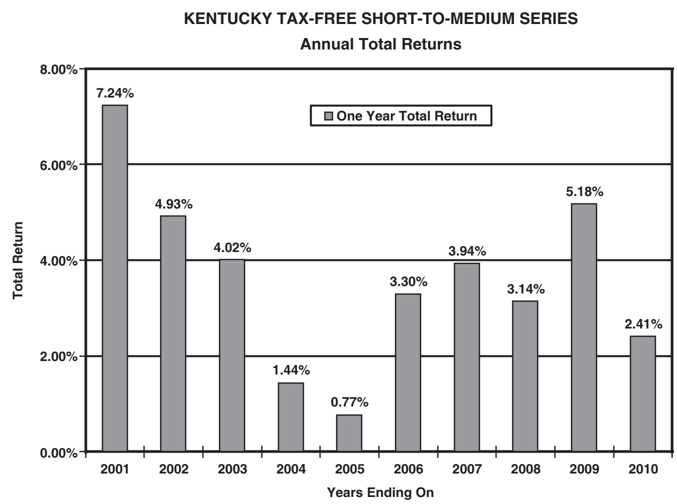
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	3.62%	September 30, 2009
Lowest Quarter Total Return:	-2.15%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	5.06%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	2.41%	3.48%	3.50%
Return After Taxes on Distributions (%)	2.41%	3.48%	3.50%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.49%	3.42%	3.46%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus which can be found at pages 32-35.

Mississippi Tax-Free Income Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of tax-free income derived from Mississippi municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Mississippi Tax-Free Income Series

Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Mississippi Tax-Free Income Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.15
Other Expenses	0.19
Total Annual Fund Operating Expenses	0.84

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same.

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$88	$276	$479	$1,065

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 20.53% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of tax-exempt income derived from Mississippi municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally 10 years or greater. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Mississippi. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and Mississippi income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Mississippi income taxes. The nominal maturity of the Fund will normally be 10 years or more. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 16.70 years and an effective maturity of 6.60 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

Mississippi's non-agricultural economy is diversified among the following sectors: manufacturing, services, gaming, and tourism. Mississippi's current-dollar GDP for 2010 was $97.5 billion which ranked 35th in the United States (Source: Bureau of Economic Analysis). In 2010, the largest industry in Mississippi was government which accounted for 18.5 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 9.1 percent of GDP. In 2010, Mississippi had per capita personal income of $31,186 (preliminary data) in 2010 which ranked 50th in the United States (Source: Bureau of Economic Analysis).

The state's annual average unemployment rate stood at 10.3 percent at the end of June 2011 compared with the national average of 9.5 percent (Source: U.S. Bureau of Labor Statistics). Mississippi had net tax-supported debt per capita of $1,534 as of calendar year-end 2010 which represented 5.0 percent of 2010 personal income. The state's debt burden was substantially above the national net tax-supported median of $936 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report,"* June 3, 2011). As of June 30, 2011, the state of Mississippi's general obligation debt was rated Aa2 by Moody's Investors Service and AA by Standard & Poor's.

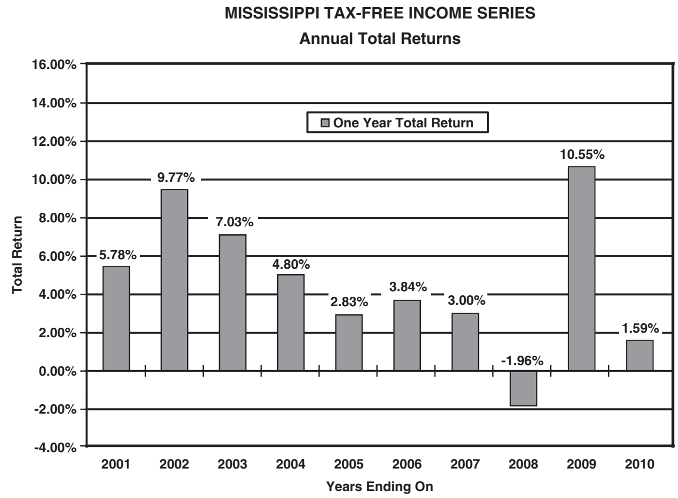
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.75%	September 30, 2002
Lowest Quarter Total Return:	-4.36%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	8.16%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	1.59%	3.33%	4.69%
Return After Taxes on Distributions (%)	1.59%	3.32%	4.68%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.44%	3.44%	4.66%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the “Shareholder Information/ Buying Shares/Selling Shares”, “Shareholder Information/Tax Information”, and “Financial Intermediary Compensation” sections of this Prospectus found at pages 32-35.

North Carolina Tax-Free Income Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of tax-free income derived from North Carolina municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the North Carolina Tax-Free Income Series

Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the North Carolina Tax-Free Income Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.13
Other Expenses	0.07
Total Annual Fund Operating Expenses	0.70

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$74	$230	$400	$893

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 14.16% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of tax-exempt income derived from North Carolina municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally greater than 10 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of North Carolina. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt Federal or North Carolina income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and North Carolina income taxes. The nominal maturity of the Fund will normally be 10 years or more. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 16.94 years and an effective maturity of 6.47 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

North Carolina's non-agricultural economy is diversified among the following sectors: services, industry, trade, textiles, and tourism. Like many states, the state has continued to evolve toward a professional services economy. Although it has declined as a percentage of the overall economy, manufacturing continues to represent a significant sector in the state's economy. North Carolina's current-dollar 2010 GDP was $424.9 billion which ranked 9th in the United States. In 2010, the largest industry in North Carolina was government which accounted for 14.6 percent of North Carolina's GDP. The second largest industry was nondurable goods manufacturing which accounted for 11.9 percent of GDP. In 2010, North Carolina had per capita income of $35,638 (preliminary data) which ranked 35th in the United States (Source: Bureau of Economic Analysis).

The state's average annual unemployment rate through the end of June 2011 stood at 9.9 percent compared to the national average of 9.2 percent (Source: U.S. Bureau of Labor Statistics). North Carolina had net tax-supported debt per capita of $782 as of calendar year-end 2010 which represented 2.3 percent of 2010 personal income. The state's debt burden was slightly below the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report",* June 3, 2011). As of June 30, 2011, the state's general obligation debt was rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

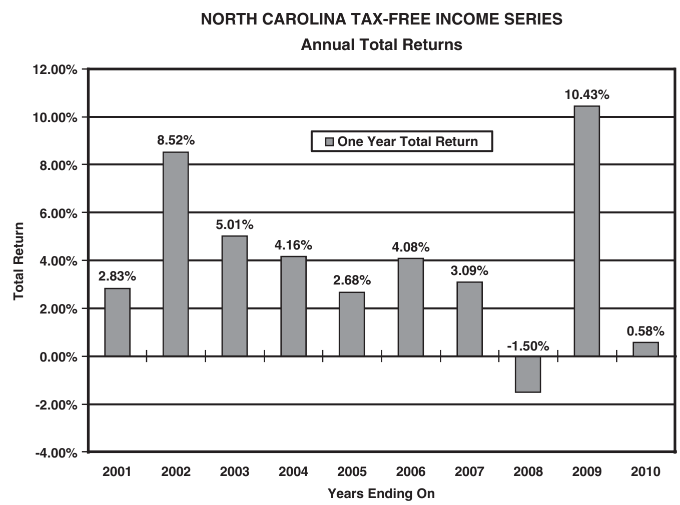
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.54%	September 30, 2009
Lowest Quarter Total Return:	-4.96%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	8.60%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	.58%	3.26%	3.95%
Return After Taxes on Distributions (%)	.58%	3.26%	3.95%
Return After Taxes on Distributions & Sale of Fund Shares (%)	1.68%	3.34%	3.97%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please turn to the “Shareholder Information/ Buying Shares/Selling Shares”, “Shareholder Information/Tax Information”, and “Financial Intermediary Compensation” sections of this Prospectus found at pages 32-35.

North Carolina Tax-Free Short-to-Medium Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of tax-free income derived from North Carolina municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the North Carolina Tax-Free Short to Medium Series

Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the North Carolina Tax-Free Short to Medium Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.15
Other Expenses	0.12
Total Annual Fund Operating Expenses	0.77

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$81	$253	$440	$979

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 5.15% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of tax-exempt income derived from North Carolina municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally ranging from 2-7 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of North Carolina. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and North Carolina income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and North Carolina income taxes. The nominal maturity of the Fund will normally range between 2-7 years. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 5.60 years and an effective maturity of 4.02 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a Fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

North Carolina's non-agricultural economy is diversified among the following sectors: manufacturing, services, industry, trade, and tourism. Although it has declined as a percentage of the overall economy, manufacturing continues to represent a significant sector in the state's economy. North Carolina's current-dollar GDP for 2010 was $424.9 billion which ranked 9th in the United States. In 2010, government was the largest industry in North Carolina which accounted for 14.6 percent of GDP. The second largest sector was nondurable goods manufacturing which accounted for 11.9 percent of GDP. In 2010, North Carolina had per capita personal income of $35,638 (preliminary data) which ranked 35th in the United States (Source: Bureau of Economic Analysis).

The state's average annual unemployment rate at the end of June 2011 stood at 9.9 percent compared to the national average of 9.2 percent (Source: Bureau of Labor Statistics). North Carolina had net tax-supported debt per capita of $782 as of 2010 calendar year-end which represented 2.3 percent of 2010 personal income. The state's debt burden was below the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report"*, June 3, 2011). As of June 30, 2011, the state's general obligation debt was rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

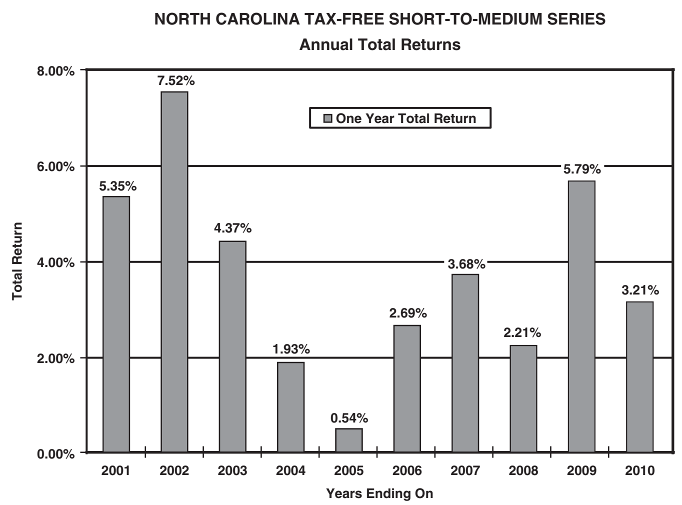
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	3.57%	September 30, 2002
Lowest Quarter Total Return:	-1.88%	June 30, 2004
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	4.80%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	.58%	3.26%	3.95%
Return After Taxes on Distributions (%)	.58%	3.26%	3.95%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.99%	3.42%	3.63%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

Tennessee Tax-Free Income Series

INVESTMENT OBJECTIVES
The Fund seeks to provide a high level of tax-free income derived from Tennessee municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Tennessee Tax-Free Income Series
Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Tennessee Tax-Free Income Series
Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.13
Other Expenses	0.06
Total Annual Fund Operating Expenses	0.69

Example
The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual Funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$72	$227	$395	$881

You would pay the same expenses assuming no redemption.

Portfolio Turnover
The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 6.38% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies
The Fund seeks to provide a steady flow of tax-exempt income derived from Tennessee municipal securities of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally greater than 10 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Tennessee. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and Tennessee income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Tennessee income taxes. The nominal maturity of the Fund will normally be 10 years or more. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 15.83 years and an effective maturity of 5.53 years as of June 30, 2011.

Principal Risks of Investing
You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

Tennessee's non-agricultural economy is diversified among the following sectors: manufacturing, wholesale and retail trade, services and government. Agriculture constitutes approximately one third of the state's overall economy. Tennessee's current-dollar GDP for 2010 was $254.8 billion which ranked 19th in the United States. In 2010, government was the largest industry in Tennessee and accounted for 12.1 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 10.2 percent of GDP. In 2010, Tennessee had per capita personal income of $35,307 (preliminary data) which ranked 39th in the United States (Source: Bureau of Economic Analysis).

The state's average annual unemployment rate at the end of June 2011 stood at 9.8 percent compared with the national average of 9.2 percent (Source: U.S. Bureau of Labor Statistics). Tennessee had net tax-supported debt per capita of $345 as of calendar year-end 2010 which represented 0.9 percent of 2010 personal income. The state's debt burden is substantially below the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report"*, June 3, 2011). As of June 30, 2011, the state's general obligation debt was rated Aaa by Moody's Investors Services and AA+ by Standard & Poor's.

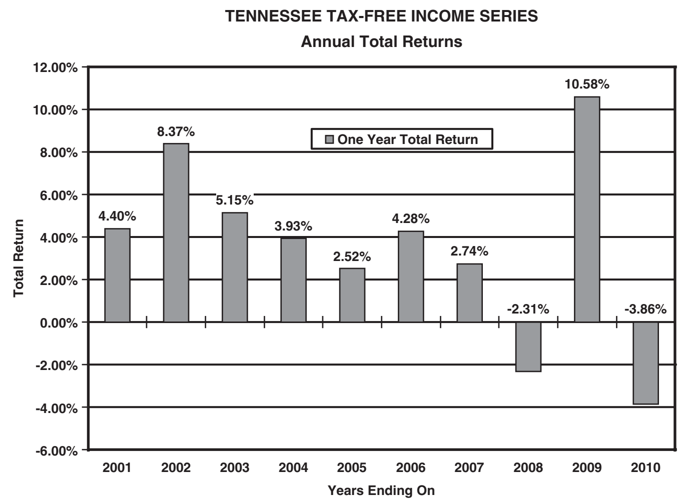
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is diversified. A diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.56%	September 30, 2009
Lowest Quarter Total Return:	-3.86%	December 31, 2010
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	7.76%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	1.71%	3.32%	4.10%
Return After Taxes on Distributions (%)	1.71%	3.32%	4.10%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.41%	3.39%	4.11%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

Tennessee Tax-Free Short-to-Medium Series

INVESTMENT OBJECTIVES
The Fund seeks to provide a high level of tax-free income derived from Tennessee municipal securities without incurring undue risk to principal.

COSTS

Fees and Expenses of the Tennessee Tax-Free Short to Medium Series Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Tennessee Tax-Free Short to Medium Series
Expenses that you pay each year as a percentage of the value of your investment[1]

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.15
Other Expenses	0.17
Total Annual Fund Operating Expenses	0.82

Example
The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$85	$266	$462	$1,028

You would pay the same expenses assuming no redemption.

Portfolio Turnover
The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 18.32% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies
The Fund seeks to provide a steady flow of tax-exempt income derived from Tennessee municipal bonds of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally ranging from 2-7 years. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of Tennessee. The Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be exempt from Federal and Tennessee income taxes or (2) the Fund will have at least 80% of its net assets invested in securities exempt from Federal and Tennessee income taxes. The nominal maturity of the Fund will normally be between 2-7 years. Maintaining a steady stream of tax-exempt income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 5.39 years and an effective maturity of 3.79 years as of June 30, 2011.

Principal Risks of Investing
You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal securities, even though the securities are of investment grade, or possible loss of money. Investment in the Fund may involve greater risk than an investment in a fund with a portfolio comprised of municipal securities issued by more than one state. This additional risk is due to the possibility of an economic or political development unique to a single state or region that may adversely affect the performance of a single state municipal bond fund. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

Tennessee's non-agricultural economy is diversified among the following sectors: manufacturing, wholesale and retail trade, services, and government. Agriculture constitutes approximately one third of the state's overall economy. Tennessee's current-dollar GDP for 2010 was $254.8 billion which ranked 19th in the United States. In 2010, government was the largest industry in Tennessee and accounted for 12.1 percent of GDP. The second largest industry was real estate and rental and leasing which accounted for 10.2 percent of GDP. In 2010, Tennessee had per capita personal income of $35,307 (preliminary data) which ranked 39th in the United States (Source: Bureau of Economic Analysis).

The state's average annual unemployment rate through the end of June 2011 stood at 9.8 percent compared with the national average of 9.2 percent (Source: U.S. Bureau of Labor Statistics). Tennessee had net tax-supported debt per capita of $318 as of calendar year-end 2010 which represented 0.9 percent of 2010 personal income. The state's debt burden was substantially below the national net tax-supported debt median of $1,066 (Source: Moody's Investors Services, Special Comment: *"2011 State Debt Medians Report"*, June 3, 2011). As of June 30, 2011, the state's general obligation debt was rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

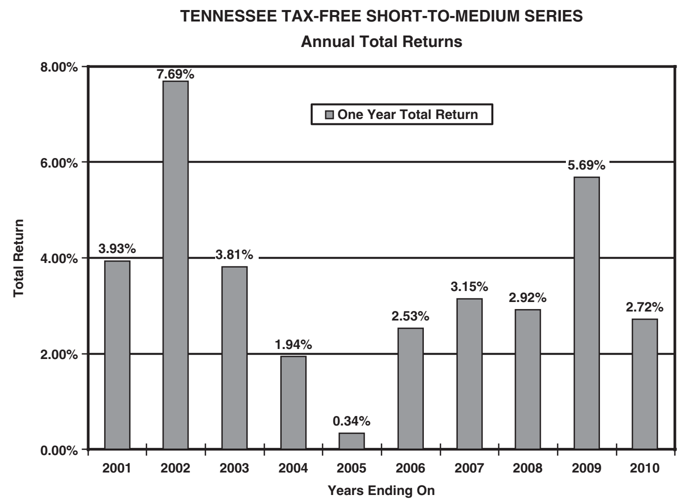
The yields of municipal securities are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the securities of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	3.65%	September 30, 2009
Lowest Quarter Total Return:	-1.79%	June 30, 2004
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	3.88%	

For the Periods Ended December 31, 2010	**1 year**	**5 years**	**10 years**
Return Before Taxes (%)	2.72%	3.40%	3.45%
Return After Taxes on Distributions (%)	2.72%	3.40%	3.45%
Return After Taxes on Distributions & Sale of Fund Shares (%)	2.66%	3.32%	3.41%
Barclays Capital Municipal Bond Index	2.38%	4.09%	4.83%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

Taxable Municipal Bond Series

INVESTMENT OBJECTIVES

The Fund, which is a new Fund effective November 1, 2010, seeks to provide a high level of taxable income derived from taxable municipal bonds without incurring undue risk to principal.

COSTS

Fees and Expenses of the Taxable Municipal Bond Series
Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Taxable Municipal Bond Series *(Represents the period from commencement of operations November 1, 2010 through June 30, 2011)*
Expenses that you pay each year as a percentage of the value of your investment

Represents the period from commencement of operations (November 1, 2010) through June 30, 2011

Management fee	0.50
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.15
Other Expenses	0.09
Total Annual Fund Operating Expenses	0.76

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$80	$250	$434	$967

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. For the eight months ended June 30, 2011, the Fund's portfolio turnover rate was 89.93% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

The Fund seeks to provide a steady flow of taxable income derived from taxable municipal bonds of investment grade quality (those rated BBB or Baa or higher at the time of purchase) with a nominal maturity normally greater than 10 years. The Fund anticipates purchasing taxable municipal bonds with nominal maturities typically ranging from 10-30 years. The nominal maturity of the Fund will normally average between 10-30 years. Maintaining a steady stream of taxable income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The interest earned on these securities is fully taxable at the federal level and may be subject to tax at the state level. In periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be taxable or (2) the Fund will have at least 80% of its net assets invested in taxable municipal bonds. The Fund may invest up to 20% of its net assets in taxable debt obligations other than municipal bonds, including but not limited to, U.S. Treasury securities and obligations of the U.S. government, its agencies, and instrumentalities. We may purchase bonds subject to the Alternative Minimum Tax (AMT) for this portfolio.

The Fund may also invest in taxable municipal bonds issued pursuant to the American Recovery and Reinvestment Act of 2009 (the "Act") or other legislation providing for the issuance of taxable municipal debt on which the issuer receives federal support ("Build America Bonds"). Enacted in February 2009, the Act authorizes state and local governments to issue taxable bonds for which, provided certain specified conditions are met, issuers may either (i) receive reimbursement from the U.S. Treasury with respect to the interest payments on the bonds ("direct pay" Build America Bonds) or (ii) provide tax credits to investors in bonds ("tax credit" Build America Bonds). The federal interest subsidy on direct pay Build America Bonds continues for the life of the bonds. Build America Bonds provide an alternative form of financing to state and local governments and, in certain cases, may provide a lower net cost of funds to issuers.

Unlike most other municipal bonds, interest received on Build America Bonds is subject to federal income tax and may be subject to state tax. Issuance of Build America Bonds ceased on December 31, 2010, as Congress declined to extend the provisions of the Act. As such, at the present time issuers do not have the ability to issue new Build America Bonds. Various legislative proposals to revive the Act have been introduced in Congress. As of the effective date of this Prospectus, none of the proposed legislation has been acted upon and there is no guarantee that issuers will be able to issue Build America Bonds in the future.

The Fund will not invest in any "tax credit" bonds authorized by the Act. As such, the Fund does not expect to receive or pass through to shareholders tax credits as a result of investments.

Principal Risks of Investing

You could lose money investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank.

The principal risk of investing in the Fund is the possibility of default on the municipal bonds, even though the bonds are of investment grade, or possible loss of money. Changes in economic conditions or other circumstances may reduce the capacity of issuers of taxable municipal bonds to make principal and interest payments and may lead to defaults. Typically, as interest rates rise the price of municipal bonds will fall; conversely, municipal bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

The yields of municipal bonds are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal bonds held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the securities of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the securities of a single issuer. The potential for investment of 50% of the portfolio in the bonds of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

Some municipal bonds may be prepaid, in whole or in part, before maturity. Any principal prepaid may have to be reinvested by the Fund in a lower yielding security. The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Because Build America Bonds are a new form of municipal financing and are subject to the sunset provision described above, it is difficult to predict the extent to which a market for such bonds will develop, meaning that Build America Bonds may be less liquid than other types of municipal obligations. Less liquid bonds can become more difficult to value and illiquidity may negatively affect prices of bonds held in the portfolio. Because issuers of direct pay Build America Bonds have to meet certain requirements to receive a reimbursement from the U.S. Treasury, there is always the possibility that such requirements may not be met by the issuer. Under such a scenario, there is a risk that the reimbursement from the U.S. Treasury may be interrupted which may be a problem if the funds are pledged to service the debt of the underlying direct pay Build America Bonds. Additionally, if issuers owe money to the federal government, the reimbursement from the U.S. Treasury may be subject to an "offset" which could potentially reduce the amount of money available to service debt payments on direct pay Build America Bonds. Any interruption and/or offset of the reimbursement from the U.S Treasury may reduce the demand for such direct pay Build America Bonds which may, in turn, reduce market prices and cause the value of Fund shares to fall.

There is no performance data, including but not limited to, Risk/Return Bar Charts and Tables for the Fund because it has not yet had a full calendar year of operations. The Barclays Capital Taxable Municipal Bond Index had average annual total returns of 7.48 percent and 3.43 percent for the 1- and 3-year periods ending December 31, 2010, respectively. This information is provided to give some indication of the risks of investment in the Fund. The Barclays Capital Taxable Municipal Bond Index does not reflect any deduction for fees, expenses or taxes. The index only has historical data dating back to January 2006. The Fund's past performance is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund since inception.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

Intermediate Government Bond Series

INVESTMENT OBJECTIVES

The Fund seeks to provide a high level of income derived from bonds of the U.S. Government and its agencies without incurring undue risk to principal.

COSTS

Fees and Expenses of the Intermediate Government Bond Series Shareholder Fees (fees paid directly from your investment)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends [and other distributions]	NONE
Redemption Fee	NONE
Redemption Fee if by wire transfer	$10
Exchange Fee	NONE
Maximum Account Fee	NONE

Annual Operating Expenses of the Intermediate Government Bond Series

Expenses that you pay each year as a percentage of the value of your investment

Management fee	0.20
Distribution fee (12b-1)	0.00
Shareholder Services fee	0.14
Other Expenses	0.12
Total Annual Fund Operating Expenses	0.46

Example

The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. This example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of these periods. The example also assumes that your investment has a 5% return each year and that your operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$48	$152	$264	$594

You would pay the same expenses assuming no redemption.

Portfolio Turnover

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example above, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 72.86% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES, RISKS AND PERFORMANCE

Principal Investment Strategies

At least eighty percent (80%) of the portfolio of the Intermediate Government Bond Series will be invested in securities issued by the U.S. Government or its agencies or instrumentalities, with the remainder of the portfolio invested in bank accounts fully insured by the FDIC or collateralized by bonds issued by the U.S. Government or its agencies or U.S. Treasury or Agency Notes and Bills. The nominal maturity of the Fund will normally range between 3-10 years. Maintaining a high level of income is a primary objective of the Fund. The net asset value (NAV) of the Fund is calculated on a daily basis and may fluctuate considerably. The portfolio had a nominal maturity of 9.34 years and an effective maturity of 7.59 years as of June 30, 2011.

Principal Risks of Investing

You could lose money investing in the Fund. The principal risk of investing in the Fund is the possibility of default, even though the bonds are of investment grade, or possible loss of money. Typically, as interest rates rise the price of government bonds will fall; conversely, government bond prices will rise when interest rates fall. In general, portfolios with longer average maturities are more sensitive to these price changes. There is no assurance that the investment objective of the Fund will be achieved. The Fund's total return and net asset value will fluctuate.

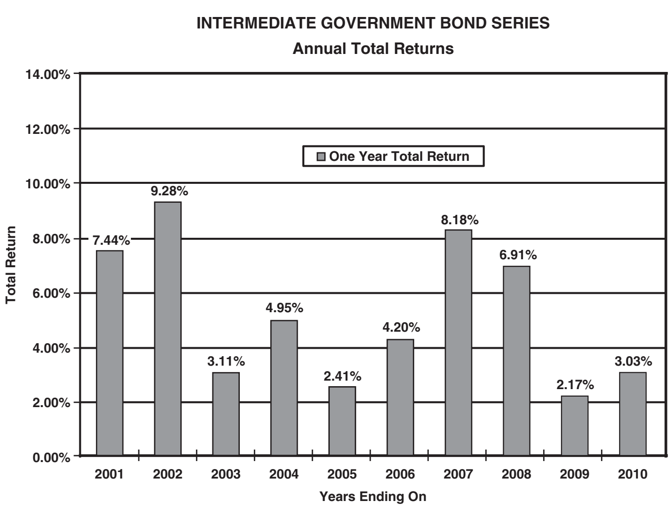
The yields of government bonds are dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the U.S. government bond markets and general monetary and economic conditions. In periods of rising interest rates, the yield of the Fund typically would tend to be somewhat lower. When interest rates are falling, the inflow of net new money to the Fund will likely be invested in portfolio instruments producing lower yields than the balance of the Fund's portfolio, reducing the current yield of the Fund. In period of rising interest rates, if there is an outflow of money, the yield may rise, although the share price will generally decline. The market values of U.S government bonds held by the Fund may go up or down, sometimes rapidly or unpredictably, as a result of market activity, interest rate fluctuation or as a result of supply and demand factors. Accordingly, the net asset value of our shares will fluctuate.

The portfolio of the Fund is non-diversified. A non-diversified portfolio may have as much as 50% of the portfolio invested in the bonds of a single issuer, while a diversified portfolio may have as much as 25% of the portfolio invested in the bonds of a single issuer. The potential for investment of 50% of the portfolio in the bonds of a single issuer may involve more risk, because the consequences of a default by that issuer would be greater than a default by an issuer representing only 25% of the portfolio.

The Fund is also subject to management risk because it is an actively managed investment portfolio. The Fund's investment adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

Risk/Return Bar Charts and Tables

The following bar chart and table provides some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year. The table shows how the Fund's average annual returns for the 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at www.dupree-funds.com or by calling (800) 866-0614 or (859) 254-7741.



After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Highest Quarter Total Return:	5.18%	December 31, 2008
Lowest Quarter Total Return:	-1.81%	June 30, 2004
2011 Year-to-Date Total Return for the nine months ended September 30, 2011:	8.20%	

For the Periods Ended December 31, 2010	1 year	5 years	10 years
Return Before Taxes (%)	3.04%	4.87%	5.14%
Return After Taxes on Distributions (%)	1.68%	3.20%	3.30%
Return After Taxes on Distributions & Sale of Fund Shares (%)	1.98%	3.18%	3.29%
Barclays Capital U.S. Intermediate Government Bond Index	4.98%	5.41%	5.11%

(Index reflects no deduction for fees, expenses or taxes)

MANAGEMENT

Investment Adviser

Dupree & Company, Inc. serves as the investment adviser and transfer agent for the Fund.

Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Fund. Mr. Harrison has been portfolio manager of the Fund since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Fund in 2008 after active duty service in the United States Navy from 2001-2007.

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the "Shareholder Information/ Buying Shares/Selling Shares", "Shareholder Information/Tax Information", and "Financial Intermediary Compensation" sections of this Prospectus found at pages 32-35.

SHAREHOLDER INFORMATION

BUYING SHARES

Our goal is to make doing business with us as easy as possible. You can buy shares at the next net asset value computed after we receive your investment in proper form as described below. There is no sales charge or load. To help the government fight the funding of terrorism and money laundering activities, the USA Patriot Act requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account.

Terms of Offering

If you send us a check that does not clear, we may cancel your order and hold you responsible for any loss that we have incurred. We may recover our loss by redeeming shares held in your account, and we may prohibit or restrict you from placing future orders. The Trust does not accept third-party checks, money orders, travelers' checks, or cash. We reserve the right to refuse official checks or cashier's checks.

We retain the right to reject any order, and to raise or lower the minimum investment size for any persons or class of persons. An order to purchase shares is not binding on us until confirmed in writing by the Transfer Agent.

If you purchase shares through an investment representative, that party is responsible for transmitting orders in accord with contractual arrangements between the Trust and your representative. There may be different cut-off times for purchase and sale requests. Consult your investment representative for specific information.

Initial Investment

Your initial investment need only be $100.00 for any of our Funds.

Purchases Made By Wire Transfer

If this is an initial investment you must first call us to tell us the following:

- How the account is to be registered
- Name of Fund in which you wish to invest
- Your address
- Your tax identification number
- Amount being wired
- Name of wiring bank

Our wire instructions are directed to US Bank, Cincinnati, Ohio as follows:

US Bank	ABA # 0420-0001-3
Alabama Tax-Free Income Series	#821-602-844
Kentucky Tax-Free Income Series	#483-622-098
Kentucky Tax-Free Short-to-Medium Series	#483-622-106
Mississippi Tax-Free Income Series	#821-637-840
North Carolina Tax-Free Income Series	#483-622-338
North Carolina Tax-Free Short-to-Medium Series	#483-622-346
Tennessee Tax-Free Income Series	#483-622-122
Tennessee Tax-Free Short-to-Medium Series	#483-622-130
Intermediate Government Bond Series	#483-622-148
Taxable Municipal Bond Series	#130113753839

If you are adding to an existing account by wire transfer, please call us ahead of time with your name and account number.

Purchases Made By Mail

Make your check payable to the Fund you want to invest in and send your check to:

Dupree Mutual Funds
P.O. Box 1149
Lexington, KY 40588-1149

Along with one of the following:

- A completed new account form (if new account)
- The detachable stub which you will find at the top of your most recent account statement
- A letter specifying the account number and name of Fund

Funds deposited into your Dupree account may not be withdrawn until the Transfer Agent has confirmed that the funds used to purchase Dupree shares have cleared your bank.

Automatic Purchase Plan

Once your account is open, you may make investments automatically by authorizing Dupree Mutual Funds to draw on your bank account. Please call us at the phone number on the back cover for more information.

Individual Retirement Accounts

Shareholders of the Intermediate Government Bond Series and Taxable Municipal Bond Series may establish Individual Retirement Accounts. The tax-exempt municipal bond Funds are not eligible for IRA accounts. Please contact us at the number on the back cover for more information and account application forms.

SELLING SHARES

You may sell all or part of the shares in your account at any time without any penalties or sales commissions. The sale of shares may result in a capital gain or loss depending upon your original cost basis. To sell shares, simply use one of the methods described below. We will not require a signature guarantee (but reserve the right to do so); however, on your account application, you will be asked to indemnify and hold harmless the Trust, the Transfer Agent and their officers, agents and employees, from losses, claims, expenses and liabilities based on actions taken as the result of your instructions. The Trust will utilize reasonable procedures, such as recording telephone redemption requests or making inquiries of information that should only be known to the shareholder and the Trust, to confirm that instructions communicated by telephone or in writing are genuine. If reasonable procedures are followed by the Trust, it will not be liable for losses due to unauthorized or fraudulent telephone instructions.

By Telephone
In Lexington, KY (859) 254-7741
Toll Free National Number (800) 866-0614

All accounts will automatically receive telephone redemption, exchange and transfer privileges unless indicated otherwise on the initial application form. We will mail or wire the money only to the address or bank account previously filed with us. Changes to any redemption instructions must be made in writing and signed by all owners. The telephone cannot be used to redeem shares for which you hold certificates of beneficial interest or until the Transfer Agent has confirmed that funds used to purchase Dupree Shares have cleared your bank, typically 7 business days after receipt of funds.

By Mail
You must send us a written request for redemption, signed by each registered holder exactly as the shares are registered along with (if applicable):

- Any certificates of beneficial interest
- Documents required by Corporations, Executors, Administrators, Trustees and Guardians.

Third-Party Investments
If you invest through a third party (rather than directly with the Trust), the third party may charge you fees different from than those described here. Banks, brokers, 401(k) plans, financial advisers and financial supermarkets may charge transaction fees and may set different minimum investments or limitations on buying or selling shares. Consult a representative of your plan or financial institution if in doubt. All such transactions through third parties depend upon your contractual relations with the third party and whether the Trust has an arrangement with the third party.

Payment of Redemption Proceeds
The Transfer Agent will normally mail a check or wire redemption proceeds the business day following the receipt of necessary documents in required form. In order to receive proceeds by wire the redeeming amount must be at least $500.00. A $10.00 wire charge fee applies to all redemptions processed by wire. The Transfer Agent may deduct the wire charge from the redemption proceeds. Your own bank may also impose a wire charge on your account to which the funds are wired. There is no fee for processing redemption proceeds through the Automated Clearing House (ACH) electronic funds transfer system. Electronic transfers processed through the ACH system may take up to 48 hours to clear your bank.

We reserve the right on all redemptions to delay payment seven days if to do otherwise would negatively affect existing shareholders.

Shares redeemed to close an account will earn dividends through the date of redemption. In addition to the redemption proceeds, redeeming shareholders will receive dividends declared but unpaid. If you redeem only a portion of your shares, you will receive all dividends declared and unpaid on all your shares on the next dividend payment date.

Redemption Price
The redemption price of shares redeemed will be their net asset value per share as calculated in the first determination of net asset value after the Trust has received all necessary documents in proper form.

Suspension of Redemption
We may suspend the right of redemption or postpone payment for more than seven days during any of the following:

- The New York Stock Exchange is closed
- The Securities and Exchange Commission determines trading on the Exchange is restricted
- There is an emergency as determined by the commission where it is not reasonably practicable for us to dispose of securities.
- Such other period as the Commission may by order permit for the protection of the shareholders

Redemption by Trust
If your account balance falls below $100 as a result of shareholder redemption and not simply market valuation change, we may redeem your shares and close out your account. We will mail you a notice requesting that you bring the account balance back up to the minimum investment amount of $100. If you choose not to do so within thirty (30) days from the date of notice, we will close your account and mail the proceeds to the address of record.

If you should move to a state where the Trust does not routinely offer its shares for sale or if you should transfer or attempt to transfer any of your shares to another person residing in a state where the Trust does not routinely offer its shares for sale, the Trust reserves the right to involuntarily redeem your shares and close out your account and/or modify your dividend payment option to receive your dividends in cash in lieu of reinvestment of said dividends in the Trust.

The Trust reserves the right to redeem, at any time without notice, any account if it is determined that the account owner is not complying with the Trust's policies and procedures.

Redemption In-Kind
The Trust does not reserve the right to redeem in-kind.

Undeliverable Redemption Checks

For any shareholder who chooses to receive distributions in cash: If distribution checks (1) are returned and marked as "undeliverable" or (2) have not been negotiated within six months from the date of issuance, your account will be changed automatically so that all future distributions are reinvested in your account. Checks that have not been negotiated within six months from the date of issuance will be considered void. The check will be canceled and the money reinvested in the Fund on your behalf.

Transfer and Exchange of Shares

You may transfer your shares to another owner. You may exchange shares between Funds offered in your state of residence without a sales charge at the next determination of net asset value; however, the Trust reserves the right to reject any exchange in excess of $50,000 and to modify or terminate the exchange privilege at any time only upon sixty (60) days written notice. An exchange is treated for federal tax purposes as a redemption and purchase of shares and may result in the realization of a capital gain or loss, depending on the cost or other tax basis of the shares exchanged. No representation is made as to the deductibility of any such loss. The Transfer Agent will provide you with information about the documents required.

Withdrawal Plan

You may withdraw fixed or variable amounts from your account at regular intervals. Once begun, a withdrawal plan may be discontinued at any time without penalty.

Inactive Accounts

If your account is inactive (i.e., you do not make any deposits or withdrawals) and you have not otherwise communicated with us about your account during the applicable period provided by law, we may be required to report your account as "abandoned property" to the appropriate state authority under the escheat laws.

DIVIDENDS AND DISTRIBUTIONS

Generally, we declare dividends separately for each Fund each business day. The Alabama, Kentucky, Mississippi, North Carolina and Tennessee Income Series pay such dividends as of the last business day of each quarter. The Kentucky, North Carolina and Tennessee Short-to-Medium Series, the Taxable Municipal Bond Series and the Intermediate Government Bond Series pay such dividends as of the last business day of each month. If no other business day(s) intervenes between a weekend or holiday on which the Dupree office is closed, then dividends will be paid on the second to last business day of the quarter (Income Series) or month (Short-to-Medium Series, Taxable Municipal Bond Series and Intermediate Government Bond Series). The Trustees have the authority to change dividend payment dates.

Net investment income consists of all interest income accrued on portfolio securities less all expenses. Capital gains, if any, will normally be distributed between October 31 and January 31 in order to comply with federal income tax regulations (See Statement of Additional Information for additional information). Income dividends and capital gains distributions, if any, will be paid in additional shares by credit to the shareholder's account or in cash at the shareholder's election. Any such election remains in effect until the Transfer Agent receives notice terminating the election at least three days before the payment date of a dividend or distribution. The available elections are indicated on the new account application form.

FREQUENT PURCHASES AND REDEMPTION OF FUND SHARES

Frequent purchases and redemptions by a shareholder in any Fund may be disruptive of our efforts to maximize the yield of the Fund because it may mean that cash is not invested or that borrowing to pay redemption proceeds may be necessary. Management of the Trust monitors trading practices of shareholders and has not detected patterns of frequent purchases and redemptions. Accordingly, the Trustees have elected not to adopt a policy or procedure to restrict such practices, but reserve the right to do so if frequent trading practices are detected. As stated above, we reserve the right to reject any order to purchase shares or to delay payment of redemption proceeds seven (7) days if to do otherwise would negatively affect existing shareholders.

TAXES

Each Series of the Trust has qualified as a "regulated investment company (RIC)" under the Internal Revenue Code. Accordingly, we must distribute at least 90% of our net income earned in any year. Ordinarily, the dividends we pay our shareholders of the tax-exempt municipal bond funds will be exempt interest dividends that will be excludable from gross income for federal (including alternative minimum tax) and state income tax purposes in certain states.

Bond Counsel for the bonds held in the tax exempt municipal bond funds have not undertaken to advise in the future whether any events after the date of issuance of the bonds may affect the tax exempt status of interest on the bonds or the tax consequences of ownership of the bonds. No assurance can be given that future legislation, or amendments to the tax code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the bonds from gross income for federal income tax purposes. Without limiting the generality of the foregoing, prospective purchasers should be aware that the American Jobs Act of 2011, announced by the President on September 12, 2011, if enacted in its present form, generally would limit the exclusion from gross income of interest on the bonds for holders whose adjusted gross income for federal income tax purposes exceeds certain thresholds (for any taxable year beginning on or after January 1, 2013) in order to provide a tax benefit not greater than 28% of such interest. This would prevent such holders from realizing the full current benefit of the federal tax status of such interest. The President's proposal may also affect the value of the bonds and tax exempt bonds generally. Prospective purchasers of the tax-exempt municipal bond funds should consult their own tax advisors regarding the potential consequences of the President's proposal to the treatment of interest on the bonds and hence dividends paid by the tax exempt municipal bond funds.

The IRS may audit the issuers of municipal bonds and, in rare instances, declare that the interest paid on certain municipal bonds that were originally issued as tax-exempt bonds is not excludable from gross income. While the reclassification of income by the IRS is a relatively rare event, it is nonetheless a risk of investing in tax-exempt municipal bonds.

Dividends and distributions paid on the Intermediate Government Bond Series and the Taxable Municipal Bond Series generally will be subject to federal income tax and may be subject to state income tax.

Distributions of income from investments in non-municipal securities or net short-term capital gains or net long-term capital gains exceeding our capital loss carry forwards (if any) will be taxable as more fully described in the "Statement of Additional Information." Ad valorem taxes may also be imposed in some states. The sale of shares may result in a capital gain or loss depending upon your original cost basis. An exchange of Fund shares for shares of another Fund will be treated as a sale of the original Fund shares, and any gain on the transaction may be subject to federal and state income taxes.

You must report your total tax-free income on your federal income tax return. The IRS uses this information to help determine the tax status of any social security payments you may receive during the year. Tax-exempt dividends paid to social security recipients may increase the portion of social security benefits that is subject to tax. You should always consult with your tax adviser about the effects of investments in the Trust and recognize that the tax laws of the several states afford different tax treatment to their residents.

Financial Intermediary Compensation
If you purchase shares of the Trust through a broker-dealer or other financial intermediary (such as a bank), Dupree & Company, Inc., an affiliated entity of the Trust, may pay the intermediary for the sale of Trust shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Trust over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

FURTHER INFORMATION TAX-EXEMPT MUNICIPAL BOND SERIES

Investment Objectives and Principal Investment Strategies
All of our single state tax-exempt municipal bond Funds, whatever their maturity range, have an investment objective of realizing a high level of tax-exempt income without incurring undue risk to principal by investing in state specific municipal securities. The interest earned on these securities, in the opinion of bond counsel for the issuer, is exempt from federal and state taxation in the state of issuance. In conformity with guidelines of the Securities and Exchange Commission, each single state tax-exempt municipal bond Fund has a fundamental policy that during periods of normal market conditions either (1) the Fund's assets will be invested so that at least 80% of the income will be tax-exempt or (2) the Fund will have at least 80% of its net assets invested in tax-exempt securities. In addition, under normal market conditions, at least 65% of the value of each Fund's assets will be invested in municipal securities of the state identified in the title of the Fund.

Yield on municipal securities is dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal securities vary depending upon available yields both in the municipal securities markets and in the short-term money markets. Therefore, the net asset value of our shares will change as interest rates fluctuate, generally declining as interest rates rise and rising as interest rates fall. The types of municipal securities and the general characteristics of each type are described in the "Statement of Additional Information".

All of our single state tax-exempt municipal bond Funds have fundamental policies of investing at least 80% of the value of the assets in securities meeting the following quality standards:

A) Bonds rated at the time of purchase within the four highest grades assigned by a recognized rating agency.

B) Notes rated at the time of purchase within the three highest grades assigned by a recognized rating agency; and bonds and notes not rated by a recognized rating agency within the grades specified above, but secured by the full faith and credit of the United States government (e.g., refunded or defeased bonds or notes secured by United States Treasury Bills or Notes).

C) No more than 20% of the value of our total assets in any of the Funds will be invested in securities which are not rated. The Trust will not purchase securities which in the opinion of the Investment Adviser would not have been rated in one of the grades specified above. In addition, our Investment Adviser will make its own evaluation of each security it selects for each portfolio and will continue to evaluate each portfolio security so long as we hold it.

As an additional matter of fundamental policy, except as indicated below, the only securities we will purchase for the Funds are those producing income exempt from both federal and state income taxes in the states where the securities were originally issued, though ad valorem taxes may be due in some states. The IRS may audit issuers of municipal bonds and, in rare instances, declare that the interest paid on certain municipal bonds that were originally issued as tax-exempt bonds is not excludable from adjusted gross income. We do not purchase securities subject to the Alternative Minimum Tax (AMT) for our tax-exempt municipal bond Funds.

The investment policies may not be changed without approval of the holders of a majority of the outstanding shares representing each Fund. The only exception to the policies previously described is that we may temporarily invest up to 50% of the value of our total assets in certain taxable obligations when, in the judgment of our Investment Adviser, abnormal market conditions make it advantageous to assume a defensive posture in taxable obligations. We also reserve the right to hold such cash reserves as the Investment Adviser deems necessary for temporary defensive purposes.

The taxable obligations and cash equivalents in which we may invest on a temporary basis include obligations of the U.S. Government and its agencies and instrumentalities; certificates of deposit, banker's acceptances and other short-term debt obligations of United States and Canadian banks with total assets of at least $1,000,000,000; commercial paper rated A-2 or better by S&P or Prime-2 or better by Moody's; and repurchase agreements relating to an underlying security in which we are authorized to invest. When investing in taxable obligations and cash equivalents on a short term basis, our investment objective of producing income exempt from both federal and state income taxes may not be realized.

For the single state tax-exempt municipal bond Funds, we generally purchase municipal securities with maturities that provide the maximum amount of yield to shareholders without incurring undue risk to principal. This strategy generally results in the Income Series Funds having an average nominal maturity of 10-20 years. For the Short-to-Medium Series Funds, we typically purchase municipal securities to maintain approximately a 5-year average dollar-weighted maturity. Though we typically employ a buy and hold strategy for all of our single state tax-exempt municipal bond funds, bonds are sometimes called by the issuer or sold prior to maturity.

Risks

The inherent risk associated with investment in municipal securities is the risk of default. In addition, the net asset value of our shares may be impacted by the general economic conditions in the country and/or within the states of Alabama, Kentucky, Mississippi, North Carolina and Tennessee. The limitation of our investments of each Fund to a single state may involve greater risk than if we invested in municipal securities issued by more than one state, due to the possibility of an economic or political development that could uniquely affect the ability of issuers to meet the debt obligations of the securities.

State income in the states of Alabama, Kentucky, Mississippi, North Carolina and Tennessee, as with all states, is subject to fluctuation on a year to year basis. Changes in an issuer's financial strength or changes in the credit rating assigned to an obligation may also affect the value of that security. Consequently, the downgrading of the credit quality of an obligation may result in a decrease in share price. State constitutional limits on tax increases, budget deficits, erosion of the tax base, and other financial difficulties may also pose a risk to timely payment on bonds.

Many municipal securities may be called or redeemed before maturity. Each single state tax-exempt municipal bond fund may have a large amount of its assets invested in securities subject to call risk. If securities are called or redeemed, the proceeds may have to be reinvested in lower yielding securities thereby potentially reducing the Series' income and any distribution to shareholders. The nominal maturity takes into consideration the final maturity of a security only. The effective maturity takes into consideration the possibility that the issuer may call the bond before its maturity date.

The single state tax-exempt municipal bond Funds may invest in municipal lease obligations, including but not limited to certificates of participation, which may involve additional risks since the relevant legislative body must appropriate public funds annually to make the lease payments. If public funds are not appropriated, municipal lease obligations may be canceled without penalty thereby raising the risk that an investor may not be paid.

State Specific Risk Factors (Summary)

States continued to feel the recession's impact during the past twelve months. The recession in 2008 brought about the largest collapse in state revenues on record, and states are just beginning to recover from that collapse. Almost all states have had to close large budget shortfalls in fiscal years 2011 and 2012 and many states have projected shortfalls for FY2013. In order to address their ongoing fiscal issues, states have taken a number of steps including making large spending cuts, laying off employees, reducing services, increasing taxes, and depleting rainy day budget surplus funds.

State finances are beginning to recover, but the recovery will be slow. State tax revenues grew by 9.3 percent in the first quarter of 2011 according to Census Bureau data. This is the fifth consecutive quarter that states reported growth in collections on a year-over-year basis. However, despite five consecutive quarters of growth, state tax revenues were still slightly lower in the first quarter of 2011 than in the same quarter of 2008. Lower-than-expected tax revenue collections have led to significant budget deficits in most states including Alabama, Kentucky, Mississippi, North Carolina, and Tennessee. Unlike the Federal government, each of these states is required by their respective constitutions to balance their budgets annually.

While there has been a gradual improvement in economic conditions during the past twelve months, state tax revenues are still below prerecession levels and will take some time to rebound to normal levels. Fiscal recovery for states historically lags behind a national economic turnaround. Economists generally expect the current economic recovery in employment to be slower than those in prior recessions, reflecting efforts by businesses and individuals to rebuild balance sheets after declines in housing and financial asset values. Employment and associated wage payments are major drivers of income taxes. On average, states count on income tax for about 36 percent of their tax revenues. Accordingly, until the labor market firms up states will continue to experience significant fiscal pressure. Recent downward revisions to economic growth estimates suggest that states will continue to experience a slow recovery from the recession.

In contrast to states, local governments rely primarily on property taxes. Tax collections at the local level have declined as a sharp decline in housing prices has negatively impacted real property assessments. The decline in property tax collections is likely to persist for some time as hosing prices are still declining in many jurisdictions. Because there is often a time lag between changes in market value and assessed property values, current property tax levels may not fully reflect home price declines. Localities also rely on state aid and assistance which may be cut. Accordingly, it seems likely that localities will remain under significant fiscal stress in the near-term.

Notwithstanding the above, the economies of Alabama, Kentucky, Mississippi, North Carolina and Tennessee appear to be sufficiently diverse that an economic decline in any single segment of a state's economy would not necessarily lead to the non-payment of debt service on municipal bonds issued by those states.

Portfolio Holdings

The Trust's policies for disclosure of its portfolio securities are set forth in the Statement of Additional Information and the Trust's web site at www.dupree-funds.com.

The weighted average ratings of the securities held by the Trust on June 30, 2011, the ending date of the fiscal year, were:

Municipal Bonds	**Aaa/AAA** %	**Aa/AA** %	**A** %	**Baa/BBB** %	**NR** %
Alabama Tax-Free Income Series	6.58	67.81	17.00	1.70	6.91
Kentucky Tax-Free Income Series	10.87	74.98	7.48	5.53	1.14
Kentucky Tax-Free Short-to-Medium Series	17.58	77.03	3.99	1.40	0.00
Mississippi Tax-Free Income Series	14.45	56.13	18.30	3.23	7.89
North Carolina Tax-Free Income Series	4.85	72.53	20.27	1.68	0.67
North Carolina Tax-Free Short-to-Medium Series	22.58	51.48	22.79	.05	3.10
Tennessee Tax-Free Income Series	2.49	70.12	19.17	4.79	3.43
Tennessee Tax-Free Short-to-Medium Series	22.37	65.46	9.46	2.71	0.00

The Board of Trustees of the Trust, acting upon information furnished by the Investment Adviser, has determined that the unrated bonds held by each Fund were comparable to rated bonds in the following categories:

	Aaa/AAA %	**Aa/AA** %	**A** %	**Baa/BBB** %	**NR** %
Alabama Tax-Free Income Series	0.00	2.54	2.06	2.31	6.91
Kentucky Tax-Free Income Series	0.61	0.53	0.00	0.00	1.14
Kentucky Tax-Free Short-to-Medium Series	0.00	0.00	0.00	0.00	0.00
Mississippi Tax-Free Income Series	0.16	0.00	7.48	0.25	7.89
North Carolina Tax-Free Income Series	0.00	0.00	0.00	0.67	0.67
North Carolina Tax-Free Short-to-Medium Series	1.23	1.87	0.00	0.00	3.10
Tennessee Tax-Free Income Series	1.39	0.00	1.39	0.00	0.00
Tennessee Tax-Free Short-to-Medium Series	0.00	0.00	0.00	0.00	0.00

No mutual fund is a complete investment program. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank. Mutual fund shares involve investment risks, including the possible loss of principal. More detailed information about the Trust, its investment policies, restrictions and risks can be found in the Trust's Statement of Additional Information (SAI).

FURTHER INFORMATION TAXABLE MUNICIPAL BOND SERIES

Investment Objectives and Strategies

The Fund seeks to provide a high level of taxable income derived from taxable municipal bonds without incurring undue risk to principal. The interest earned on these bonds is fully taxable at the federal level and may be taxable at the state level.

Yield on municipal bonds is dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the municipal securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher credit quality pay lower yields than issues of longer maturity and/or lower credit quality. The market values of municipal bonds vary depending upon available yields both in the municipal securities markets and in the short-term money markets. Therefore, the net asset value of our shares will change as interest rates rise and rising as interest rates fall. The types of municipal bonds and the general characteristics of each type are described in the "Statement of Additional Information".

The Taxable Municipal Bond Fund has a fundamental policy of investing at least 80% of the value of the assets in taxable municipal bonds meeting the following quality standards:

A) Bonds rated at the time of purchase within the four highest grades assigned by a recognized rating agency.

B) Notes rated at the time of purchase within the three highest grades assigned by a recognized rating agency; and bonds and notes not recognized by a recognized rating agency within the grades specified above, but secured by the full faith and credit of the United States government (e.g., refunded or defeased bonds or notes secured by United States Treasury bills or Notes).

C) No more than 20% of the value of our total assets in the Fund will be invested in bonds which are not rated. The Trust will not purchase bonds which in the opinion of the Investment Adviser would not have been rated in one of the grades specified above. In addition, our Investment Adviser will make its own investment evaluation of each bond it purchases for the portfolio of the Fund and will continue to evaluate each portfolio security so long as we hold it.

As an additional matter of fundamental policy, except as indicated below, the only securities we will purchase for the Fund's portfolio are those producing income taxable at the federal level and which may be taxable at the state level.

The investment policies may not be changed without approval of the holders of a majority of the outstanding shares of the Fund. The only exception to the policies previously described is that we may temporarily invest up to 50% of the value of our total assets in certain non-municipal taxable obligations such as U.S. Treasury securities, certificates of deposit, bankers acceptances and other short-term obligations of the United States and Canadian banks with total assets of at least $1 billion; commercial paper rated A-2 or better by S&P or Prime-2 or better by Moody's; and repurchase agreements relating to an underlying security in which we are authorized to invest. When investing in taxable obligations and cash equivalents on a short-term basis, our investment objective of realizing a high level of current income may not be realized.

The Fund will normally have a nominal maturity greater than 10 years. The Fund anticipates purchasing taxable municipal bonds with nominal maturities typically ranging from 15-30 years. Although we generally employ a buy and hold strategy for our Fund, bonds are sometimes called by the issuer or sold prior to maturity. We may purchase bonds subject to the Alternative Minimum Tax (AMT) for our Taxable Municipal Bond Series.

Risks

The inherent risk associated with investment in taxable municipal bonds is the risk of default. In addition, the net asset value of our shares may be impacted by the general economic conditions in the country and/or within the various states in which we purchase taxable municipal bonds. State income is subject to fluctuation on a year to year basis. Changes in an issuer's financial strength on changes in the credit rating assigned to a bond may also affect the value of that bond. Consequently, the downgrading of the credit quality of a bond may result in a decrease in share price. State constitutional limits on tax increases, budget deficits, erosion of the tax base, and other financial difficulties may also pose a risk to timely payment on bonds.

Many taxable municipal bonds may be called or redeemed before maturity. The Fund may have a large amount of assets invested in bonds subject to call risk. If bonds are called or redeemed, the proceeds may have to be reinvested in lower yielding bonds thereby potentially reducing the Fund's income and any distribution to shareholders. The nominal maturity takes into consideration the final maturity of a bond only. The effective maturity takes into consideration the possibility that the issuer may call the bond before its maturity date. The Fund may also invest in taxable municipal lease obligations, including but not limited to certificates of participation, which may involve additional risks since the relevant legislative body must appropriate public funds annually to make the lease payments. If public funds are not appropriated, taxable municipal lease obligations may be canceled without penalty thereby raising the risk that an investor may not be paid.

Because Build America Bonds are a new form of municipal financing and are subject to a sunset provision. It is difficult to predict the extent to which a market for such bonds will develop, meaning that Build America Bonds may be less liquid than other types of municipal obligations. Less liquid bonds can become more difficult to value and illiquidity may negatively affect prices of bonds held in the portfolio. Because issuers of direct pay Build America Bonds have to meet certain requirements to receive a reimbursement from the U.S. Treasury, there is always the possibility that such requirements may not be met by the issuer. Under such a scenario, there is a risk that the reimbursement from the U.S. Treasury may be interrupted which may be a problem if the funds are pledged to service the debt of the underlying direct pay Build America Bonds. Additionally, if issuers owe money to the federal government, the reimbursement from the U.S. Treasury may be subject to an "offset" which could potentially reduce the amount of money available to service debt payments on direct pay Build America Bonds. Any interruption and/or offset of the reimbursement from the U.S Treasury may reduce the demand for such direct pay Build America Bonds which may, in turn, reduce market prices and cause the value of Fund shares to fall.

Portfolio Holdings

The Trust's policies for disclosure of its portfolio securities are set forth in the Statement of Additional Information and the Trust's website at www.dupree-funds.com.

The weighted average ratings of the securities held by the Trust on June 30, 2011, the ending date of the fiscal year were:

	Aaa/AAA %	**Aa/AA** %	**A** %	**Baa/BBB** %	**NR** %
Taxable Municipal Bond Series	2.40	91.53	6.07	0.00	0.00

No mutual fund is a complete investment program. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank. Mutual fund shares involve investment risks, including the possible loss of principal. More detailed information about the Trust, its investment policies, restrictions and risks can be found in the Trust's Statement of Additional Information (SAI).

FURTHER INFORMATION INTERMEDIATE GOVERNMENT BOND SERIES

Investment Objectives and Strategies

The Fund seeks to provide a high level of current income without incurring undue risk to principal by investing at least 80% of the value of our total assets in a professionally managed non-diversified portfolio of bonds: (1) issued by the U.S. Government such as U.S. Treasury Bonds; or (2) issued by agencies or instrumentalities of the U.S. Government, such as, but not limited to, obligations of the Federal Farm Credit Banks, the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (Ginnie Mae), and the Federal Home Loan Bank. The remaining assets may be invested in bank accounts fully insured by the FDIC or collateralized by bonds described in 1) and 2); repurchase agreements fully collateralized by bonds described in 1) and 2); and U.S. Treasury or Agency Notes and Bills. The types of bonds the Series invests in and a discussion of their characteristics are described in the "Statement of Additional Information."

U.S. Government bonds may be backed by the full faith and credit of the U.S. Treasury, the right to borrow from the U.S. Treasury, or the right to borrow from the agency or instrumentality issuing or guaranteeing the security. Certain issuers of U.S. Government bonds, including Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are sponsored or chartered by Congress but their bonds are neither issued nor guaranteed by the U.S. Treasury. Ginnie Mae bonds are U.S. Government bonds which represent interests in pools of mortgage loans. The principal and interest payments on Ginnie Mae's are fully guaranteed by the U.S. Government.

Risks

Generally speaking, U.S. Government bonds are high quality securities. However, as with any investment, there are risks associated with investing in U.S. Government bonds. The yield on U.S. Government bonds is dependent on a variety of factors, including the maturity and quality of the particular obligation, the size of the total offering, prevailing conditions in the U.S. Government securities markets and general monetary and economic conditions. Generally, issues of shorter maturity and/or higher quality pay lower yields than issues of longer maturity and/or lower quality. The market values of U.S. Government bonds vary depending upon available yields both in the U.S. Government bond markets and in the short-term money markets. Therefore, the net asset value of our shares will change as interest rates fluctuate, generally declining as interest rates rise and rising as interest rates fall. Typically, the longer the maturity of a bond, the greater the impact a change in interest rates could have on a bond's price.

Changes in an issuer's financial strength or changes in the credit rating assigned to a bond may also affect the value of that bond. Many U.S. Government bonds may be called or redeemed before maturity. The Intermediate Government Bond Series may have a large amount of its assets invested in bonds subject to call risk. If bonds are called or redeemed, the proceeds may have to be reinvested in lower yielding bonds thereby potentially reducing the Series' income and any distribution to shareholders. Neither the Fund's share price nor its yield is guaranteed by the U.S. Government.

Portfolio Holdings

The Trust's policies for disclosure of its portfolio securities are set forth in the Statement of Additional Information and the Trust's web site at www.dupree-funds.com.

The weighted average ratings of the securities held by the Trust on June 30, 2011, the ending date of the fiscal year, were:

	Aaa/AAA %	**Aa/AA** %	**A** %	**Baa/BBB** %	**Ba1/B-** %	**NR** %
Intermediate Government Bond Series	100.00	0.00	0.00	0.00	0.00	0.00

No mutual fund is a complete investment program. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by any bank. Mutual fund shares involve investment risks, including the possible loss of principal. More detailed information about the Trust, its investment policies, restrictions and risks can be found in the Trust's Statement of Additional Information (SAI).

ORGANIZATION AND MANAGEMENT OF THE TRUST

Dupree Mutual Funds is a Kentucky Business Trust organized under the laws of the Commonwealth of Kentucky on July 1, 1987. The Trust offers shares of beneficial interest of separate Funds or Series without par value.

Shares of ten Funds as described in this Prospectus are being offered for sale.

Each share has one vote. Fractional shares have proportionate voting rights and participate pro-rata in dividends and distributions. Our shares have cumulative voting rights for the election of Trustees. On matters affecting an individual Fund, a separate vote of the Fund is required. Shareholders of a Fund are only entitled to vote on matters affecting the specific Fund(s) in which they are invested.

We are registered as a diversified, open-end investment company of the management type under the Investment Company Act of 1940; however, each Fund may or may not be diversified. Our shares, which are offered continuously, are registered for sale under the Securities Act of 1933.

The Alabama Tax-Free Income Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Kentucky Tax-Free Income Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Kentucky Tax-Free Short-to-Medium Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Mississippi Tax-Free Income Series is available for sale in the following states: Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The North Carolina Tax-Free Income Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas and Virginia.

The North Carolina Tax-Free Short-to-Medium Series is available for sale in the following states: Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Tennessee Tax-Free Income Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Tennessee Tax-Free Short-to-Medium Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Taxable Municipal Bond Series is available for sale in the following states: Alabama, Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

The Intermediate Government Bond Series is available for sale in the following states: Alabama; Florida; Georgia; Illinois; Indiana; Kentucky; Mississippi; North Carolina; Ohio; South Carolina; Tennessee; Texas; and Virginia.

We offer and redeem our shares at current net asset value.

Trustees

The Trustees of the Trust consist of six individuals, all of whom are not "interested persons" of the Trust as defined in the Investment Company Act of 1940. The Trustees of the Trust are responsible for the overall supervision of the operations of the Trust and perform the various duties imposed upon the directors or trustees of investment companies by the Investment Company Act of 1940. The Trustees of the Trust are:

James C. Baughman, Jr.: Director, President, Secretary, Treasurer, Office Suites Plus, Inc.

Lucy A. Breathitt: Alexander Farms, farming, cattle and tobacco.

William A. Combs, Jr.: Officer, Director: Mercedes-Benz of Cincinnati, OH; Mercedes-Benz of West Chester, OH and Freedom Dodge, Lexington, KY.

C. Timothy Cone: President, Gess, Mattingly & Atchison, PSC (law firm)

Ann Rosenstein Giles: Rosenstein Development, LLC

Marc A. Mathews: Vice President for Finance and Business, Transylvania University

Investment Adviser and Advisory Agreements

Our investment activities are managed by Dupree & Company, Inc., P.O. Box 1149, Lexington, Kentucky 40588-1149. Dupree & Company was formed in 1962 to continue a business founded in 1941. Dupree & Company, Inc. also serves as Transfer Agent. Dupree & Company, Inc. (or its subsidiary) has served as the Investment Adviser for all Series of the Trust since inception in 1979 as the Kentucky Tax-Free Income Series.

Dupree & Company, Inc. may, at its sole cost and expense, enter into sub-shareholder servicing agreements with commercial banks, investment advisers, or other entities to provide assistance in maintaining books, accounts and records of shareholders advised by those entities.

Dupree & Company, Inc. serves as the Investment Adviser for each of our ten Series pursuant to separate Investment Advisory Agreements with each Series. Each agreement except for the Taxable Municipal Income Series will continue in effect until October 31, 2012, and may be continued thereafter for annual periods if renewed. The agreement for the Taxable Municipal Income Series will continue in effect until October 31, 2013 and may be continued thereafter for annual periods if renewed. Subject to the direction of the Trustees, Dupree & Company, Inc. is responsible for the actual management of the Trust's portfolios. The compensation paid to the Investment Adviser as presented on pages 1, 5, 9, 13, 17, 21, 25, 29, 33 and 36 is inclusive of certain administrative services and provision of office space, facilities, equipment and personnel for management of the Trust. The compensation paid to the Investment Adviser pursuant to the Investment Advisory Agreements is a percentage of the daily net assets of each Fund as follows:

Range of Total Assets (in dollars)	$0-100,000,000	100,000,001- $ 150,000,000	150,000,001- $ 500,000,000	500,000,001 $750,000,000
All Municipal Bond Series	.50 of 1%	.45 of 1%	.40 of 1%	.35 of 1%
Intermediate Government Bond Series	.20 of 1%	.20 of 1%	.20 of 1%	.20 of 1%

Range of Total Assets (in dollars)	750,000,001 $1,000,000,000	1,000,000,001+
All Municipal Bond Series	.30 of 1%	.25 of 1%
Intermediate Government Bond Series	.20 of 1%	.20 of 1%

Dupree & Company, Inc. has reserved the right to voluntarily waive management fees or assume and pay other expenses of any Fund at its sole option and will not seek to recover any such amounts. For the fiscal year ended June 30, 2011, the aggregate fees paid to Dupree & Company, Inc. (after waivers and fee or expense reductions) as a percentage of average net assets was:

Alabama Tax-Free Income Series	.32 of 1%
Kentucky Tax-Free Income Series	.39 of 1%
Kentucky Tax-Free Short-to-Medium Series	.50 of 1%
Mississippi Tax-Free Income Series	.24 of 1%
North Carolina Tax-Free Income Series	.50 of 1%
North Carolina Tax-Free Short-to-Medium Series	.50 of 1%
Tennessee Tax-Free Income Series	.50 of 1%
Tennessee Tax-Free Short-to-Medium Series	.48 of 1%
Taxable Municipal Bond Series	.48 of 1%
Intermediate Government Bond Series	.20 of 1%

A discussion regarding the basis for the Board of Trustees approval of the Investment Advisory Agreements with Dupree & Company, Inc. is available in the Trust's Statement of Additional Information (SAI) dated November 1, 2011, which is available free of charge upon request.

In addition, the Trust has entered into a Transfer Agent/ Shareholder Service Agreement with Dupree & Company, Inc. The agreement provides for a fee computed on the average daily net asset value at the annual rate of .15 of 1% on the first $20,000,000 and .12 of 1% of all amounts in excess of $20,000,000.

Fund Portfolio Managers

Vincent Harrison and Eugene Gard serve as co-portfolio managers of the Trust. Mr. Harrison has been portfolio manager of the Trust since 2004. Mr. Gard joined Mr. Harrison as co-portfolio manager of the Trust in 2008 after active duty service in the United State Navy from 2001-2007. The Statement of Additional Information provides additional information about the Portfolio Managers compensation and ownership of securities in the Trust. The Portfolio Managers do not manage any accounts other than the Trust.

DETERMINING NET ASSET VALUE

The price used when you buy or sell shares in a Fund is the next net asset value computed after we receive your order in proper form. The net asset value per share of each Fund is determined separately at 4:00 p.m. local time each weekday the Dupree office is open by dividing the total value of the assets of a Fund, minus liabilities, by the total number of shares outstanding.

The Dupree office is closed on the following holidays: Veteran's Day (Friday, November 11, 2011); Thanksgiving (Thursday, November 24, 2011); Christmas (Observed Monday, December 26, 2011); New Year's Day (Observed Monday, January 2, 2012); Martin Luther King Day (Monday, January 16, 2012); President's Day (Monday, February 20, 2012); Memorial Day (Monday, May 28, 2012); U.S. Independence Day (Wednesday, July 4, 2012); Labor Day (Monday, September 3, 2012); and Columbus Day (Monday, October 8, 2012). The above listed closing dates correspond with the closing dates recommended by the Securities Industry and Financial Markets Association ("SIFMA").

On any business day when SIFMA recommends an early close (2:00 p.m. EST), we will close and calculate each Fund's NAV at the SIFMA recommended closing time. On those days when SIFMA recommends an early close time of 2:00 p.m. EST, any purchase and/or redemption orders received after 2:00 p.m. EST will be processed and become effective on the next business day at the then prevailing NAV. We may elect to remain open on those dates which SIFMA recommends a full close.

Purchase and sales orders accepted after the Trust's order cut-off time (4:00 p.m. EST) will be effective the following business day at the NAV computed on the following day.

Since all of our Funds are no-load, a sales charge or commission does not reduce the value of your investment in any of our Funds. The securities in which we invest are traded primarily in the over-the-counter market. We value securities held in our tax-exempt municipal bond funds in accord with the Board of Trustees approved Dupree Municipal Valuation System. The Dupree Municipal Security Valuation System is designed to determined daily, the expected price that would be received for each municipal security held by the Trust, it that security were to be sold in an arms-length transaction on that day. Management will value each security based initially on original purchase price, and from then forward on subsequent days, the security will be assigned the current market value from the firm's computerized valuation system. The values assigned are compared on a weekly basis to values assigned to securities by commercial valuation services. A bond valuation that is not supported by a valuation source requires management to fair value the security in consultation with the Board's Valuation Committee.

The bonds held in the Intermediate Government Bond Series and Taxable Municipal Bond Series are priced daily utilizing prices from IDC, Muller, Standard and Poor's, Inc., or other published prices.

Further discussion of "Determining Net Asset Value" may be found in the Trust's Statement of Additional Information.

PERFORMANCE CALCULATIONS

All yield figures are based on historical earnings and are not intended to indicate future performance.

Total returns are calculated for specified periods by finding the compounded rate of return that will equal the total amount redeemed at the specified redemption date versus the initial amount invested. Average annual total return calculations consider reinvestment of all dividends and all other distributions less all expenses.

Yield quotations are based on a 30 day period in accordance with S.E.C. computation formula as more fully described in the Statement of Additional Information.

Taxable equivalent yield is the yield that an investor would have to earn from fully taxable investments, before the investor had paid federal and any applicable state income and ad valorem taxes, in order to equal a tax-free yield.

Fund Performance

The Annual Report of Dupree Mutual Funds contains a discussion and graphs reflecting the performance of its Funds during the most recently completed fiscal year. A copy of the Annual Report may be obtained by writing or calling us at the numbers listed on the back cover. Performance may also be judged by comparing the Funds' performance to other mutual Funds with comparable investment objectives and by comparing the Funds' performance using market indices or rankings such as those provided by *Barron's, Forbes, Fortune, Money Magazine* and Morningstar. Periodically, information from these publications may be included in advertisements, sales literature and reports to shareholders. Past performance is no guarantee of future performance and you may lose money investing in the Funds.

DISTRIBUTION ARRANGEMENTS

We do not impose any sales loads, including deferred sales loads, front-end sales loads, loads on reinvestments of dividends or other distributions, redemption fees, exchange fees or account fees. Accordingly, there are no arrangements to offer break-points or special arrangements available to any prospective or existing shareholder to reduce or eliminate loads. Our shares are sold directly by the Trust and there are no distribution plans under Rule 12b-1. Our website, located at www.dupree-funds.com also states that we do not charge loads or offer break-points or special arrangements to any prospective or existing shareholder to reduce or eliminate loads.

Dupree & Company, Inc. as the shareholder servicing agent may enter into sub-shareholder servicing arrangements with registered investment advisers, trusts and other financial institutions. Shareholders of the Trust are not charged any fees in connection with any sub-shareholder servicing arrangements. Any entity with which Dupree & Company, Inc. enters into a sub-shareholder servicing agreement is required to comply with all provisions of the Trust's Privacy Policy.

FINANCIAL HIGHLIGHTS

Alabama Tax-Free Income Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$11.77	$11.40	$11.43	$11.59	$11.52
Income from investment operations:					
Net investment income	0.45	0.46	0.46	0.46	0.47
Net gains/(losses) on securities, both realized and unrealized	(0.05)	0.37	(0.03)	(0.14)	0.07
Total from investment operations	0.40	0.83	0.43	0.32	0.54
Less distributions:					
Distributions from net investment income	(0.45)	(0.46)	(0.46)	(0.46)	(0.47)
Distributions from capital gains	—	—	—	(0.02)	—
Net asset value, end of year	$11.72	$11.77	$11.40	$11.43	$11.59
Total return	3.45%	7.40%	3.95%	2.84%	4.70%
Net assets, end of year (in thousands)	$21,235	$19,853	$14,262	$13,537	$11,810
Ratio of net expenses to average net assets (a)	0.60%	0.47%	0.45%	0.45%	0.43%
Ratio of net investment income to average net assets	3.83%	3.94%	4.14%	4.00%	4.00%
Portfolio turnover	4.70%	15.73%	14.06%	8.46%	5.43%

(a) Percentages are after expenses waived by Adviser and Custodian. No recovery of these waivers and reductions will be sought. Expenses waived by Adviser and Custodian were: .18% and .0% for 2011; .33% and .0% for 2010; .37% and .03% for 2009; .35% and .04% for 2008; and .37% and .04% for 2007, respectively.

Kentucky Tax-Free Income Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$7.67	$7.49	$7.39	$7.43	$7.40
Income from investment operations:					
Net investment income	0.29	0.29	0.29	0.29	0.30
Net gains/(losses) on securities, both realized and unrealized	(0.02)	0.20	0.11	(0.04)	0.04
Total from investment operations	0.27	0.49	0.40	0.25	0.34
Less distributions:					
Distributions from net investment income	(0.29)	(0.29)	(0.29)	(0.29)	(0.30)
Distributions from capital gains	(0.02)	(0.02)	(0.01)	— (b)	(0.01)
Net asset value, end of year	$7.63	$7.67	$7.49	$7.39	$7.43
Total return	3.57%	6.58%	5.65%	3.47%	4.51%
Net assets, end of year (in thousands)	$896,625	$882,897	$788,923	$734,613	$702,473
Ratio of net expenses to average net assets (a)	0.58%	0.58%	0.58%	0.58%	0.58%
Ratio of net investment income to average net assets	3.78%	3.81%	3.99%	3.94%	3.94%
Portfolio turnover	11.42%	4.76%	6.09%	5.69%	6.76%

(a) Percentages are after custodian reduction for which no recovery will be sought. Percentages before custodian reduction were: .58% for 2011; .58% for 2010; .58% for 2009; .58% for 2008; and .58% for 2007.

(b) Rounds to less than $0.01.

Kentucky Tax-Free Short-To-Medium Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$5.36	$5.25	$5.16	$5.13	$5.14
Income from investment operations:					
Net investment income	0.13	0.15	0.17	0.17	0.17
Net gains/(losses) on securities, both realized and unrealized	0.03	0.11	0.09	0.03	(0.01)
Total from investment operations	0.16	0.26	0.26	0.20	0.16
Less distributions:					
Distributions from net investment income	(0.13)	(0.15)	(0.17)	(0.17)	(0.17)
Net asset value, end of year	$5.39	$5.36	$5.25	$5.16	$5.13
Total return	3.04%	4.99%	5.02%	3.94%	3.10%
Net assets, end of year (in thousands)	$72,405	$69,166	$60,570	$53,955	$61,302
Ratio of net expenses to average net assets (a)	0.72%	0.72%	0.72%	0.72%	0.72%
Ratio of net investment income to average net assets	2.44%	2.80%	3.16%	3.28%	3.25%
Portfolio turnover	15.37%	20.26%	15.64%	14.17%	4.87%

(a) Percentages are after custodian reduction for which no recovery will be sought. Percentages before custodian reduction were: .72% for 2011; .72% for 2010; .72% for 2009; .73% for 2008; and .72% for 2007.

Mississippi Tax-Free Income Series

The financial highlights table is intended to help you understand the Fund's financial performance since inception. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$11.41	$11.03	$11.08	$11.24	$11.25
Income from investment operations:					
Net investment income	0.44	0.45	0.45	0.45	0.45
Net gains/(losses) on securities, both realized and unrealized	(0.08)	0.38	(0.05)	(0.16)	0.04
Total from investment operations	0.36	0.83	0.40	0.29	0.49
Less distributions:					
Distributions from net investment income	(0.44)	(0.45)	(0.45)	(0.45)	(0.45)
Distributions from capital gains	—	—	— (b)	— (b)	(0.05)
Net asset value, end of year	$11.33	$11.41	$11.03	$11.08	$11.24
Total return	3.19%	7.65%	3.72%	2.64%	4.39%
Net assets, end of year (in thousands)	$6,376	$6,321	$5,001	$4,447	$5,103
Ratio of net expenses to average net assets (a)	0.58%	0.45%	0.44%	0.45%	0.45%
Ratio of net investment income to average net assets	3.86%	3.99%	4.11%	4.02%	3.98%
Portfolio turnover	20.53%	10.04%	9.30%	2.79%	11.57%

(a) Percentages are after expenses waived by Adviser and Custodian reduction. No recovery of these waivers and reductions will be sought. Expenses waived by Adviser and Custodian reduction were: .26% and .0% for 2011; .46% and .0% for 2010; .53% and .08% for 2009; .46% and .10% for 2008; and .43% and .09% for 2007, respectively.

(b) Rounds to less than $0.01.

North Carolina Tax-Free Income Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$11.01	$10.71	$10.62	$10.74	$10.74
Income from investment operations:					
Net investment income	0.40	0.40	0.41	0.41	0.41
Net gains/(losses) on securities, both realized and unrealized	(0.09)	0.30	0.09	(0.12)	— (b)
Total from investment operations	0.31	0.70	0.50	0.29	0.41
Less distributions:					
Distributions from net investment income	(0.40)	(0.40)	(0.41)	(0.41)	(0.41)
Net asset value, end of year	$10.92	$11.01	$10.71	$10.62	$10.74
Total return	2.90%	6.62%	4.83%	2.69%	3.85%
Net assets, end of year (in thousands)	$75,312	$77,116	$66,891	$65,300	$54,994
Ratio of net expenses to average net assets (a)	0.70%	0.72%	0.72%	0.71%	0.73%
Ratio of net investment income to average net assets	3.69%	3.66%	3.89%	3.76%	3.79%
Portfolio turnover	14.16%	5.92%	7.82%	11.03%	5.20%

(a) Percentages are after Custodian reduction for which no recovery will be sought. Percentages before Custodian reduction were: .70% for 2011; .72% for 2010; .72% for 2009; .72% for 2008; and .74% for 2007.

(b) Rounds to less than .01.

North Carolina Tax-Free Short-To-Medium Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$10.78	$10.57	$10.37	$10.30	$10.31
Income from investment operations:					
Net investment income	0.26	0.29	0.32	0.32	0.32
Net gains/(losses) on securities, both realized and unrealized	0.15	0.21	0.20	0.07	(0.01)
Total from investment operations	0.41	0.50	0.52	0.39	0.31
Less distributions:					
Distributions from capital gains	—	—	—	—	— (b)
Distributions from net investment income	(0.26)	(0.29)	(0.32)	(0.32)	(0.32)
Net asset value, end of year	$10.93	$10.78	$10.57	$10.37	$10.30
Total return	3.86%	4.77%	5.07%	3.78%	2.97%
Net assets, end of year (in thousands)	$22,079	$15,951	$11,662	$11,134	$11,281
Ratio of net expenses to average net assets (a)	0.77%	0.82%	0.81%	0.82%	0.81%
Ratio of net investment income to average net assets	2.41%	2.69%	3.04%	3.03%	3.01%
Portfolio turnover	5.15%	17.94%	10.14%	23.91%	13.33%

(a) Percentages are after expenses waived by Adviser and Custodian reduction. No recovery of these waivers and reductions will be sought. Expenses waived by Adviser and Custodian reduction were: 0% and .0% for 2011; 0% and 0% for 2010; .02% and .03% for 2009; 0% and .04% for 2008; and 0% and .04% for 2007, respectively.

(b) Rounds to less than $0.01.

Tennessee Tax-Free Income Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$11.04	$10.71	$10.77	$10.87	$10.84
Income from investment operations:					
Net investment income	0.41	0.40	0.41	0.41	0.41
Net gains/(losses) on securities, both realized and unrealized	0.00 (b)	0.33	(0.06)	(0.10)	0.03
Total from investment operations	0.41	0.73	0.35	0.31	0.44
Less distributions:					
Distributions from net investment income	(0.41)	(0.40)	(0.41)	(0.41)	(0.41)
Net asset value, end of year	$11.04	$11.04	$10.71	$10.77	$10.87
Total return	3.78%	6.92%	3.40%	2.87%	4.05%
Net assets, end of year (in thousands)	$91,740	$94,960	$92,222	$90,397	$99,697
Ratio of net expenses to average net assets (a)	0.69%	0.70%	0.70%	0.71%	0.72%
Ratio of net investment income to average net assets	3.68%	3.67%	3.90%	3.74%	3.70%
Portfolio turnover	6.38%	14.51%	7.62%	15.71%	8.55%

(a) Percentages are after Custodian reduction for which no recovery will be sought. Percentages before Custodian reduction were: .69% for 2011; .70% for 2010; .71% for 2009; .72% for 2008; and .73% for 2007.

(b) Rounds to less than $.01.

Tennessee Tax-Free Short-To-Medium Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$10.82	$10.54	$10.31	$10.32	$10.29
Income from investment operations:					
Net investment income	0.26	0.28	0.31	0.31	0.31
Net gains/(losses) on securities, both realized and unrealized	0.03	0.28	0.23	(0.01)	0.03
Total from investment operations	0.29	0.56	0.54	0.30	0.34
Less distributions:					
Distributions from net investment income	(0.26)	(0.28)	(0.31)	(0.31)	(0.31)
Net asset value, end of year	$10.85	$10.82	$10.54	$10.31	$10.32
Total return	2.72%	5.39%	5.31%	2.90%	3.34%
Net assets, end of year (in thousands)	$9,889	$10,113	$9,075	$10,335	$10,880
Ratio of net expenses to average net assets (a)	0.80%	0.81%	0.82%	0.81%	0.79%
Ratio of net investment income to average net assets	2.40%	2.63%	2.97%	2.96%	3.00%
Portfolio turnover	18.32%	16.16%	15.00%	22.22%	0.00%

(a) Percentages are after expenses waived by Adviser and Custodian reduction. No recovery of these waivers and reductions will be sought. Expenses waived by Adviser and custodian were: .02% and .0% for 2011; .02% and .0% for 2010; .0% and .04% for 2009; 0% and .05% for 2008; and 0% and .04% for 2007, respectively.

Taxable Municipal Bond Series

The financial highlights table is intended to help you understand the Fund's financial performance since inceptions, November 1, 2011. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the period ended June 30,
	2011*
Net asset value, beginning of period	$10.00
Income from investment operations:	
Net investment income	0.34
Net gains/(losses) on securities, both realized and unrealized	(0.35)
Total from investment operations	(0.01)
Less distributions:	
Distributions from net investment income	(0.34)
Net asset value, end of period	$9.65
Total return	0.04%(b)
Net assets, end of period (in thousands)	$10,872
Ratio of net expenses to average net assets (a)	0.49%(c)
Ratio of net investment income to average net assets	3.71%(c)
Portfolio turnover	89.93%(c)

(a) Percentages are after expense waivers and reductions by the Adviser and Custodian. The Adviser and Custodian have agreed not to seek recovery of these waivers and reductions.

Expenses waived by the Adviser and expense reductions by the Custodian were as follows:

Adviser	Custodian	
.01% (c)	.0% (c)	For the period ended June 30, 2011

* Represents the period from commencement of operations (November 1, 2010) through June 30, 2011.

(b) Not annualized

(c) Annualized

Intermediate Government Bond Series

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, whose report, along with the Fund's financial statements, are included in the Annual Report which is available upon request.

Selected data for a share outstanding:	For the years ended June 30,				
	2011	2010	2009	2008	2007
Net asset value, beginning of year	$10.24	$10.05	$9.93	$9.66	$9.58
Income from investment operations:					
Net investment income	0.35	0.44	0.46	0.48	0.49
Net gains/(losses) on securities, both realized and unrealized	(0.28)	0.19	0.12	0.27	0.08
Total from investment operations	0.07	0.63	0.58	0.75	0.57
Less distributions:					
Distributions from net investment income	(0.35)	(0.44)	(0.46)	(0.48)	(0.49)
Net asset value, end of year	$9.96	$10.24	$10.05	$9.93	$9.66
Total return	0.71%	6.38%	5.99%	7.88%	(6.04)%
Net assets, end of year (in thousands)	$25,004	$42,053	$25,431	$23,132	$22,553
Ratio of net expenses to average net assets (a)	0.46%	0.47%	0.47%	0.49%	0.51%
Ratio of net investment income to average net assets	3.48%	4.30%	4.62%	4.85%	5.05%
Portfolio turnover	72.86%	56.38%	30.35%	33.21%	6.40%

(a) Percentages are after custodian reduction for which no recovery will be sought. Percentages before custodian reduction were: .46% for 2011; .47% for 2010; .49% for 2009, .51% for 2008; and .53% for 2007.

PRIVACY POLICY

Dupree Mutual Funds is committed to preserving the security and confidentiality of your personal information. Your customer records are maintained exclusively by our transfer agent, Dupree & Company, an affiliated company of Dupree Mutual Funds that services your account and keeps your personal information private. We understand how important privacy is to our customers, and therefore we do not sell or barter any part of your personal information or our own mailing lists to any person or organization.

We are providing this notice to help explain to you the policies Dupree Mutual Funds and Dupree & Company have adopted to collect, use, and protect your private personal financial information. Our policies with respect to safeguarding this information extend to all current, prospective, or former customers. Therefore, even if you decide not to open an account with us or decide to close your account, we will continue to follow our privacy policies and practices with respect to any nonpublic financial information we may have received about you.

Information We May Collect

From time to time, we may collect personal information about customers or potential customers if you have inquired about or opened an account with us, made transactions in your account, or requested customer services or financial products from us. The information we collect about you and your account may be received from one or more of the following sources: Information you provide to us on applications and forms, over the telephone, through regular or electronic mail, or during in-person consultations.

Information about your transaction history with us (such as your purchases, sales, or account balances) that we have obtained through processing your customer requests or providing other account services; information we receive about you (such as personal identification information) from consumer or credit reporting agencies or databases.

How Your Information Is Used

Your personal financial information is used to provide you with products and services you request, to help us service your account and to send account statements, reports, and the like, and to advise you of additional products and services we offer which may interest you. Your personal information is never used to market any financial products or services to you, other than the financial services we offer to you as our customer or make available to you in connection with your account. Every person who has access to your personal information in order to service your account, exchange or transfer shares, or perform other services you may request is under a duty to protect the confidentiality of your personal information. Further, your personal information is protected by physical, electronic and procedural safeguards to ensure that unauthorized persons cannot gain access to your customer record or other nonpublic financial information.

Disclosure of Your Information

We do not disclose your nonpublic personal information to anyone, except as we are permitted or required by law to do or to facilitate transactions with a sub-shareholder servicing agent if you purchase or redeem shares through such agent. For example, we use independent service providers to create microfilm records or to print or mail account statements and other materials that you request. To protect your privacy, our service providers are subject to strict confidentiality requirements and agreements to protect your personal information and to use it only to perform the services for which we hired them.

Safeguarding and Disposal of Your Information

The physical and electronic records of your nonpublic personal information are available only to personnel of Dupree & Company to serve your account and to certain third party providers who may microfilm records or provide mailing or printing services. Destruction of any physical records containing your nonpublic personal information is done by shredding, pulverizing, burning or other methods to render the information impractical to read or reconstruct. Disposal of other media of records is done in such a manner so as to delete all nonpublic personal information.

Changes in Our Privacy Policy

We periodically review our policies, procedures, and service agreements and may, from time to time, amend them. In the event we need to amend our Privacy Policy, we will nevertheless continue to maintain the security and confidentiality of your personal information and will notify you of any changes before they become effective. If you have any questions regarding our privacy policy, you may contact a customer service representative for further information.

MARKETING PROTECTION AND “NO MARKETING” NOTICE
Because we do not share your personal financial information with others, except to facilitate service to you, you should not receive marketing materials from anybody other than us. You may choose to stop all marketing from us. Your choice to stop marketing from us will apply until you tell us to change your choice. To stop all marketing from us, contact us:

By telephone at 800-866-0614
On the Web at www.shareholders@dupree-funds.com
By mail: Check the box and complete the form below and send to:

Dupree Mutual Funds
P.O. Box 1149
Lexington KY 40588

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Name

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Address

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HOW TO REACH US

DUPREE MUTUAL FUNDS
P.O. Box 1149
Lexington, KY 40588-1149

PHONE
(859) 254-7741
(800) 866-0614

ONLINE
WEBSITE: www.dupree-funds.com
E-MAIL: inquiry@dupree-funds.com
E-MAIL: shareholders@dupree-funds.com

INVESTMENT ADVISER TRANSFER AGENT AND DIVIDEND DISBURSING AGENT
Dupree & Company, Inc.
P.O. Box 1149
Lexington, Kentucky 40588-1149

CUSTODIAN
U.S. Bank
425 Walnut Street, ML 6118
P.O. Box 1118
Cincinnati, Ohio 45201-6118

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Ernst & Young LLP
1900 Scripps Center
312 Walnut Street
Cincinnati, OH 45202

LEGAL COUNSEL
Darsie & Elste
P.O. Box 28
Versailles, KY 40383

Additional information about the Trust's investments is available in the Trust's annual and semi-annual reports to shareholders. A statement containing additional information about the Trust, dated November 1, 2011 (the 'Statement of Additional Information') has been filed with the Securities and Exchange Commission and can be obtained, without charge, by writing or calling us at the address or phone number listed above. The Statement of Additional Information and other information and reports are available on our internet website, www.dupree-funds.com or by e-mail request to inquiry@dupree-funds.com. The Statement of Additional Information is incorporated by reference into this Prospectus.

To request other information free of charge including the Statement of Additional Information, Annual and Semi-Annual reports and to make shareholder inquiries, phone us at 1-800-866-0614 or 859-224-7741. In the Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected each fund's performance during the past year.

Information about the Trust may be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-202-551-8090. Reports and other information about the Trust are available on the EDGAR database on the Commission's Internet site at http://www.sec.gov. Copies of the information may be obtained upon payment of the duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Securities and Exchange Commission, Public Reference Section, Washington, D.C. 20549-1520.

DUPREE MUTUAL FUNDS

DUPREE MUTUAL FUNDS
A No-Load Fund Family
Prospectus, November 1, 2011

Investment Co. Act File #811-2918