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

STATEMENT OF ADDITIONAL INFORMATION

November 1, 2018

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This Statement of Additional Information is not a Prospectus and should be read in conjunction with the Trust’s Prospectus dated November 1, 2018. A Prospectus and the Trust’s most recent Annual and Semi-Annual Reports which include a complete listing of the Trust’s portfolios may be obtained, without charge, by calling the Trust at (859) 254-7741 or toll free (800) 866-0614 or writing the Trust at P.O. Box 1149, Lexington, KY 40588 or online at www.dupree-funds.com or via e-mail to info@dupree-funds.com. The financial statements as of June 30, 2018, appear in the Trust’s Annual Report which is incorporated by reference into this Statement of Additional Information.

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GENERAL INFORMATION AND HISTORY

Dupree Mutual Funds is an open-end, no-load mutual fund family that offers shares in separate investment Series (hereinafter "Fund" or "Funds") to the public. We have been in continuous operation since 1979, first as the Kentucky Tax-Free Income Fund, Inc. and in our current form since 1987. We were organized as a Kentucky Business Trust on July 1, 1987, as the successor to the trust organized in 1979. We currently offer no-load mutual fund shares in ten Funds that invest in professionally managed bond portfolios. The Kentucky Tax-Free Income Series and the Tennessee Tax-Free Income Series are diversified Funds, while our other Funds are all non-diversified. Our investment adviser for each Fund is Dupree & Company, Inc. Dupree & Company, Inc. is a Lexington, Kentucky firm with more than 60 years of experience in managing, underwriting and trading Kentucky municipal securities.

INVESTMENT OBJECTIVES AND POLICIES

As stated in our Prospectus, the investment objective for each of our ten Funds is to realize a high and stable level of income without incurring undue risk to principal. Eight of the ten Funds we offer invest in bond portfolios consisting of tax-exempt municipal bonds issued in a single state. These Funds (with only minor exceptions) invest in municipal bonds from Alabama, Kentucky, Mississippi, North Carolina or Tennessee, respectively, in order to provide interest income exempt from federal income tax, including the alternative minimum tax, and in certain states, from state income tax as well. Investors should consult our Prospectus for a description of the investment objectives of these Funds and the manner in which these Funds seek to achieve their objectives.

Our Taxable Municipal Bond Series seeks to provide a high and stable 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 subject to tax at the state level. Investors should consult our Prospectus for a description of the investment objectives of this Fund and the manner in which this Fund seeks to achieve its objectives.

Our Intermediate Government Bond Series seeks to provide a high and stable level of taxable income derived from bonds issued by the U.S. Government and its agencies and instrumentalities without incurring undue risk to principal. The interest earned on these bonds is fully taxable at the federal level and may be subject to tax at the state level. Investors should consult our Prospectus for a description of the investment objectives of this Fund and the manner in which this Fund seeks to achieve its objectives.

We have established a number of investment policies and restrictions to help ensure that the investments of each Fund are consistent with its investment goals. Certain of these policies are deemed "fundamental," meaning that they are subject to change only upon approval by the holders of a majority of shares of the affected Fund. "Non-fundamental policies" may be changed without a vote of the shareholders. The fundamental policies of each of the Funds are set forth below and in the "Investment Restrictions" section that follows. As used in the Prospectus and this Statement of Additional Information, with respect to any matter requiring shareholder approval, whether it be shareholder approval within an affected Fund or the shareholders of the Trust, the phrase "majority of our shares" means the vote at a meeting of (i) 67% or more of the shares present or represented, if the holders of more than 50% of the outstanding shares of the affected Fund are present in person or represented by proxy, or (ii) more than 50% of the outstanding shares of the affected Fund, whichever is less.

Tax-Exempt Municipal Bond Funds

Alabama Tax-Free Income Series
Kentucky Tax-Free Income Series
Kentucky Tax-Free Short-to-Medium Series
Mississippi Tax-Free Income Series
North Carolina Tax-Free Income Series
North Carolina Tax-Free Short-to-Medium Series
Tennessee Tax-Free Income Series
Tennessee Tax-Free Short-to-Medium Series

As stated in our Prospectus, the investment objective for our eight single state tax-exempt municipal bond Funds is to realize a high and stable level of tax-exempt income as determined by a shareholders state of residence without incurring undue risk to principal. In general, interest income derived from municipal bonds is exempt from federal income tax (including alternative minimum tax) and, for residents in certain of the states in which we offer shares, from state income tax as well. Accordingly, as a matter of fundamental policy, these Funds invest in tax-exempt issues from a single state (Alabama, Kentucky, Mississippi, North Carolina or Tennessee) in order to maximize the tax exemption available to shareholders in certain states where our shares are offered. The only exception to this policy is that, when abnormal market conditions warrant doing so, we may from time to time invest in taxable securities on a temporary basis. Investors should consult our Prospectus and the "Tax Information" section that follows for a more complete discussion of the tax consequences of these investment policies.

The Kentucky Tax-Free Income Series and the Tennessee Tax-Free Income Series maintain diversified portfolios, while the Alabama Tax-Free Income Series, Kentucky Tax-Free Short-to-Medium Series, the Mississippi Tax-Free Income Series, the North Carolina Tax-Free Income Series, the North Carolina Tax-Free Short-to-Medium Series, and the Tennessee Tax-Free Short-to-Medium Series maintain non-diversified portfolios. Compared to diversified portfolios, non-diversified portfolio may invest a higher percentage of its assets among fewer issuers of securities. This increases a non-diversified Fund's risk by magnifying the impact (positively or negatively) that any one issuer may have on the Fund's share price and performance.

For each of the single-state tax-exempt municipal bond funds, at least 80% of the Alabama, Kentucky, Mississippi, North Carolina or Tennessee municipal securities we purchase must be municipal bonds within the four highest grades (investment grade) assigned by U.S. nationally recognized rating services at the time of purchase; or municipal notes rated at the time of purchase within the three highest grades assigned by U.S. nationally recognized rating services, or Alabama, Kentucky, Mississippi, North Carolina or Tennessee municipal bonds and notes not rated within the grades specified above, but secured by the full faith and credit of the United States Government (i.e., pre-refunded municipal bonds collateralized by U.S. Government securities). A description of the general characteristics of the municipal securities qualifying for ratings specified above follows.

No more than 20% of the value of our total assets in each of the Alabama Tax-Free Income Series, the Kentucky Tax-Free Income Series, Kentucky Tax-Free Short-to-Medium Series, the Mississippi Tax-Free Income Series, the North Carolina Tax-Free Income Series, the North Carolina Tax-Free Short-to-Medium Series, the Tennessee Tax-Free Income Series, or the Tennessee Tax-Free Short-to-Medium Series will be invested in securities which are not rated, but which, in the opinion of our investment adviser, would have been rated as investment grade if the issuers had sought a rating at the time of issuance. Issuers may elect not to secure a rating for an issue if it is not needed to effectuate the sale of the issue or for cost reasons.

The ratings described below reflect the opinions of the credit rating services as to the quality of the municipal securities they undertake to rate. As such, the ratings represent broad guidelines rather than absolute standards of quality. You should also bear in mind that credit rating services usually rate an issue of municipal securities at the time it is first offered to the public, and once issued, a rating is seldom updated unless and until the municipal issuer makes a further offering of its securities. Our investment adviser will make its own evaluation of each security it selects for our portfolios and will continue to evaluate each portfolio security so long as we hold it.

Ratings of Municipal Notes and Bonds

Nationally recognized rating services denote quality ratings in descending alphabetic order with the highest quality securities having a rating of "**AAA**" or "**Aaa**." Securities rated "**AAA**" or "**Aaa**" are considered the highest quality credits and the obligor's capacity to meet its financial commitment on the obligation is extremely strong. Securities rated "**AA**" or "**Aa**" are considered high quality credits with some elements that would make long-term risks appear somewhat larger, but the obligor's capacity to meet its financial commitment on the obligation is very strong. Securities rated "**A**" are considered as safe upper medium grade investment grade obligations that are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. Securities rated "**BBB**" or "**Baa**" are considered medium grade**,** neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over a great length of time. Some credit rating agencies may denote ratings on municipal notes in a numeric order with a one ("1") being the best quality**;** a two ("2") representing high quality with margins of protection ample, although not so large as in the preceding group**;** and a three ("3") representing favorable quality, with all security elements accounted for, but lacking the undeniable strength of the preceding grades. Market access for refinancing, in particular, is likely to be less well established.

Description of Municipal Bonds

Municipal bonds are obligations issued by a state, its political subdivisions, and the districts, authorities, agencies and instrumentalities of the state and its political subdivisions, the interest of which is generally exempt from federal and state income taxes, for residents of the states which issue the securities.

Municipal bonds are issued for various public purposes including the construction of airports, highways, housing, hospitals, pollution abatement facilities, schools, streets, water and sewer works, gas and electric utilities and university buildings. Municipal issuers can issue bonds for the purposes of refunding outstanding obligations, obtaining funds to finance other public institutions and meeting general operating expenses. Industrial building revenue bonds, which are considered municipal bonds if the interest paid thereon is exempt from federal and state income taxes, are issued by or on behalf of public authorities to finance construction of privately operated facilities such as manufacturing plants, housing, sports arenas and pollution control installations. Our investments in industrial building revenue bonds are subject to the restrictions set forth in Paragraph 10 of the "Investment Restrictions."

There are different types of municipal bonds. "General obligation" bonds are secured by the issuer's pledge of its full faith, honor, credit and/or taxing power for the payment of principal and interest. "Revenue" bonds are payable from and secured by a particular revenue stream, such as lease rentals, utility usage and connection charges, student registration or housing fees, bridge or highway tolls, parking fees, sports event gate receipts, etc. Although municipal authorities issue industrial building revenue bonds, revenues derived from a lease rental contract with a non-governmental user typically secure them. Some revenue bonds, including industrial building revenue bonds, are secured by a mortgage on the rental property. Improvement assessment bonds are obligations secured by a special assessment (e.g., a sewer charge) that the governmental issuer imposes on each owner of property benefited by the improvement (e.g., a sanitary sewer project). The assessments are similar to taxes and have a priority that is similar to a tax lien. "Refunded" or "defeased" bonds are secured by an escrow fund which, usually, is invested in United States Government securities and occasionally in bank certificates of deposit or similar instruments. Housing bonds are usually secured by mortgages that the issuer acquires and pledges for the payment of the bonds. Local housing authorities sometimes issue bonds that are secured by rentals from the operation of a housing project. Housing bonds may also have additional security in the form of federal guarantees of the mortgages or rentals constituting the primary security.

Because of constitutional limitations, the Commonwealth of Kentucky cannot enter into a financial obligation of more than two years' duration. Municipal issuers within the Commonwealth cannot enter into a financial obligation of more than one year's duration. As a consequence, the payment and security arrangements applicable to Kentucky revenue bonds differ significantly from those generally applicable to municipal revenue bonds in other states. Many city and county construction projects are financed through bonds that are nominally issued in the name of a public corporation that holds title to the project and leases the project back to the city or county on a year-to-year renewable basis. In this situation, the rent that the nominal issuer receives from the actual user of the property financed by the bonds is the only source of any security for the payment of the bonds, so that a failure by the user to renew the lease in any year will put the bonds into default. Revenue bonds issued by the Commonwealth of Kentucky are not a direct obligation of the state.

At times, we may purchase municipal bonds when a new issue is being offered in an underwriting, at which time the securities are offered on a "when-issued" basis, meaning that the delivery date is unknown. This means we would commit to purchase the securities at an agreed price to be paid at the time of delivery, usually in 30 to 45 days. During the period prior to delivery, we will not have paid for the securities and will not receive interest on them. There is a slight risk that such securities will not be delivered. It is also possible that by the delivery date, due to changing market conditions, the market value of the securities will be higher or lower than the price we have committed to pay. We do not intend to make when-issued purchase commitments for speculative purposes, but only to accomplish our investment objectives. Therefore, when we commit to purchase bonds on a when-issued basis, we will identify designated readily marketable assets at least equal to the amount of the purchase to pay for the commitment. During any such period in which assets are identified to meet a "when-issued" purchase commitment, we will ordinarily sell other assets not so identified if sales are necessary to meet shareholder redemption requests. In the unlikely event that it becomes necessary for us to sell when-issued securities before delivery, any resulting gain or loss would not be tax-exempt.

Unlike other types of investments, municipal bonds traditionally have not been subject to registration and/or regulation by the U.S. Securities and Exchange Commission ("SEC"). However, there have been proposals that could lead to future regulation of municipal securities by the SEC. The amount of information available about municipal bonds is generally less than that for corporate bonds or equities and the investment performance of our Funds that invest in municipal bonds may be more dependent on the analytical abilities of the investment adviser than would be the case for a stock fund or corporate bond fund. The investment adviser will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these decisions will produce the desired results. The secondary market for municipal bonds also tends to be less well developed and less liquid than many other securities markets.

Taxable Municipal Bond Series

The Fund seeks to provide a high and stable level of taxable income derived from taxable municipal bonds without incurring undue risk to principal. The taxable municipal bonds held in this portfolio will be of investment grade quality (those rated “BBB” or “Baa” or higher by U.S. nationally recognized rating services at the time of purchase) with a weighted average nominal maturity normally ranging from 10-30 years. The interest earned on these securities is fully taxable at the federal level and may be subject to tax at the state level.

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 authorized 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.

The Taxable Municipal Bond Series will maintain a non-diversified portfolio. 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 bonds other than taxable municipal bonds, including but not limited to: U.S. Treasury securities, and securities and obligations of the U.S. Government, its agencies and instrumentalities.

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 are not able to issue additional Build America Bonds. However, Build America Bonds continue to be actively traded in the secondary market.

The Fund does 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.

Intermediate Government Bond Series

As stated in our Prospectus, the Fund seeks to provide a high and stable level of income without incurring undue risk to principal by investing in a portfolio consisting of: 1) bonds issued by the U.S. Government such as U.S. Treasury Notes and Bills; 2) bonds issued by agencies or instrumentalities of the U.S. Government such as obligations of the Federal Farm Credit Banks, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association and the Federal Home Loan Bank; 3) bank accounts fully insured by the FDIC or collateralized by federal government or federal agency bonds; and 4) repurchase agreements fully collateralized by issues of the U.S. Government or its agencies. The Intermediate Government Bond Series will maintain a non-diversified portfolio as described in our Prospectus and in the “Investment Restrictions” section below.

PORTFOLIO TURNOVER

Portfolio turnover is defined to be the lesser of purchases or sales divided by the average monthly value of the portfolio. The portfolio turnover rate is expressed as a percentage ratio calculated by taking the lesser of sales or purchases of securities as the numerator and dividing by the average monthly value of the entire portfolio, excluding short-term investments from both the numerator and denominator. Portfolio turnover for each of the Funds offered will vary depending on a number of factors, including net capital flows into or out of each Series, our investment strategy, and market conditions.

Portfolio turnover rate may influence a Fund’s yield under certain conditions. In periods of declining interest rates, a Fund’s yield will tend to be somewhat higher than the prevailing market rates, and in periods of rising interest rates, the yield of a Fund will tend to be somewhat lower. Also, when interest rates are falling, the inflow of net new money into a

Fund from the continuous sale of its shares will likely be invested in portfolio instruments producing lower yields than the balance of the Fund's portfolio, thereby reducing the current yield of the Fund. In periods of rising interest rates, the opposite can be true.

We do not intend to purchase Alabama, Kentucky, Mississippi, North Carolina or Tennessee municipal bonds for short-term profits. Securities will be purchased and sold in response to our investment adviser's evaluation of the issuer's ability to meet its debt obligations in the future. However, a security purchased at any earlier date may be sold in anticipation of a market decline (a rise in interest rates), and a security purchased in anticipation of a market rise (a decline in interest rates) may be sold at any later date. In addition, a security may be sold and another purchased when, in the opinion of our investment adviser, a favorable yield spread exists between those particular issuers or in different market sectors. Finally, in order to obtain an immediate yield on the cash proceeds from the sale of our shares pending the selection and availability of a more permanent investment, we may temporarily acquire Alabama, Kentucky, Mississippi, North Carolina or Tennessee municipal securities under informal repurchase arrangements with a bank. Typically, under these arrangements, we would resell such securities to the bank, and the bank would repurchase them from us, within a short period of time, usually not more than seven days. The investment adviser selects securities that it believes will provide the best balance between risk and return and typically uses a buy and hold strategy. Securities in the Funds' portfolios are typically held for income purposes, rather than trading securities for capital gains.

At this time, we do not anticipate any change in the investment strategy that would significantly impact portfolio turnover rates and therefore we expect that the turnover rates for the coming year will be influenced mainly by the net growth of each Fund and by prevailing market conditions. Portfolio turnover rates are dependent upon a number of uncontrollable factors, including investments in a Fund, redemptions from a Fund and the rate at which bonds held in the various portfolios are called or mature.

The only exception to the investment policies and restrictions of the tax-exempt municipal bond Funds 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 the 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 fiscal year ended June 30, 2018, the portfolio turnover rate for the **Alabama Tax-Free Income Series** was approximately 13.83% compared with 6.95% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to or slightly lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Kentucky Tax-Free Income Series** was approximately 16.81% compared with 10.44% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to or slightly lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Kentucky Short-to-Medium Series** was approximately 4.69% compared with 14.84% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to or slightly higher than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Mississippi Tax-Free Income Series** was approximately 7.26% compared with 14.06% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018 -2019 portfolio turnover rate will be similar to the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **North Carolina Tax-Free Income Series** was approximately 11.76% compared with 11.50% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to or slightly lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **North Carolina Short-to-Medium Series** was approximately 21.80% compared with 11.15% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Tennessee Tax-Free Income Series** was approximately 15.77% compared with 9.27% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Tennessee Short-to-Medium Series** was approximately 22.75% compared with 10.95% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be lower than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Intermediate Government Bond Series** was approximately 1.99% compared with 0.00% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to than the current year's rate.

For the fiscal year ended June 30, 2018, the portfolio turnover rate for the **Taxable Municipal Bond Series** was 4.31% compared with 11.04% for the fiscal year ended June 30, 2017. Based on current trends, Dupree & Company, Inc. expects the 2018-2019 portfolio turnover rate will be similar to or slightly higher than the current year's rate.

INVESTMENT RESTRICTIONS

We have adopted certain investment restrictions that may not be changed without the approval of the holders of a majority of the shares representing the affected Fund. Under these restrictions, we may **not** take any of the following actions with respect to each fund:

Kentucky Tax-Free Income Series & Tennessee Tax-Free Income Series

1. With respect to 75% of the value of our total assets as of the close of each fiscal quarter, purchase the securities of any single issuer (except the United States Government, its agencies and instrumentalities), if, as a result, more than 5% of the value of our total assets would be invested in securities of such issuer (including repurchase agreements with any one bank). For this purpose, the states of Kentucky and Tennessee, each political subdivision of each state, and each district, authority, agency or instrumentality of each state or any of either state's political subdivisions, will be deemed to be a separate issuer.

2. Borrow money, except from banks as a temporary measure for purposes of meeting redemption requests and then only in an amount not exceeding 5% of the value of our total assets.

3. Pledge or hypothecate any of our assets, except as security for a permissible temporary bank borrowing (see Restriction 2), and then only in an amount not exceeding 15% of the value of our total assets.

4. Make loans, except through the purchase of portions of issues or publicly distributed debt securities and entry into repurchase agreements. We will not enter into a repurchase agreement maturing in more than seven business days if, as a result, more than 10% of the value of our net assets would be so invested.

5. Purchase securities subject to legal or contractual restrictions on resale (except those imposed by repurchase agreements).

6. Underwrite the securities of other issuers, except to the extent that our purchase of Kentucky and Tennessee municipal securities directly from the issuer (either alone or as one of a group of bidders) may be deemed to be an underwriting of such securities.

7. Purchase or sell real estate or real estate mortgage loans, but this limitation will not prevent us from purchasing Kentucky and Tennessee municipal securities or other securities secured by real estate or interest in real estate.

8. Purchase or sell commodities or commodity contracts.

9. Purchase equity securities or securities convertible into equity securities.

10. Purchase any security, if, as a result, more than 25% of the value of our total assets would be invested in the securities of issuers having their principal business activities in the same industry. This limitation would preclude us from investing more than 25% of the value of our total assets in industrial building revenue bonds issued to finance facilities for non-governmental issuers in any one industry. However, the limitation does not apply to any other tax exempt municipal securities, to securities issued or guaranteed by the United States government or any of its agencies or instrumentalities.

11. Invest in companies for the purpose of exercising management or control.

12. Invest in securities of other investment companies, except where such investment results from a merger or consolidation with, or an acquisition of assets, another investment company.

13. Make short sales of securities.

14. Purchase securities on margin, except that we may obtain such short term credit as may be necessary for the clearance of securities purchases.

15. Write or invest in put or call options, or any combination thereof.

16. Issue senior securities.

Kentucky, North Carolina and Tennessee Tax-Free Short-to-Medium Series, and Alabama, Mississippi and North Carolina Tax-Free Income Series

1. With respect to 50% of the value of our total assets as of the close of each fiscal quarter, purchase the securities of any single issuer (except the United States Government, its agencies and instrumentalities), if, as a result, more than 5% of the value of our total assets would be invested in securities of such issuer (including repurchase agreements with any one bank). For this purpose, the states of Alabama, Kentucky, Mississippi, North Carolina and Tennessee, each political subdivision of the state, and each district, authority, agency or instrumentality of the state or any of its political subdivisions will be deemed to be a separate issuer.

2. Borrow money, except from banks as a temporary measure for purposes of meeting redemption requests and then only in an amount not exceeding 5% of the value of our total assets.

3. Pledge or hypothecate any of our assets, except as security for a permissible temporary bank borrowing (see Restriction 2), and then only in an amount not exceeding 15% of the value of our total assets.

4. Make loans, except through the purchase of portions of issues or publicly distributed debt securities and entry into repurchase agreements. We will not enter into a repurchase agreement maturing in more than seven days if, as a result, more than 10% of the value of our total assets would be so invested.

5. Purchase securities subject to legal or contractual restrictions on resale (except those imposed by repurchase agreements).

6. Underwrite the securities of other issuers, except to the extent that our purchase of Alabama, Kentucky, Mississippi, North Carolina and Tennessee municipal securities directly from the issuer (either alone or as one of a group of bidders) may be deemed to be an underwriting of such securities.

7. Purchase or sell real estate or real estate mortgage loans, but this limitation will not prevent us from purchasing Alabama, Kentucky, Mississippi, North Carolina and Tennessee municipal securities or other securities secured by real estate or interest in real estate.

8. Purchase or sell commodities or commodity contracts.

9. Purchase equity securities or securities convertible into equity securities.

10. Purchase any security, if, as a result as of the close of each fiscal quarter more than 25% of the value of our total assets would be invested in the securities of issuers having their principal business activities in the same industry. This limitation would preclude us from investing more than 25% of the value of our total assets in industrial building

revenue bonds issued to finance facilities for non-governmental issuers in any one industry. However, the limitation does not apply to any other municipal securities, to securities issued or guaranteed by the United States Government or any of its agencies or instrumentalities.

11. Invest in companies for the purpose of exercising management or control.

12. Invest in securities of other investment companies, except where such investment results from a merger or consolidation with, or an acquisition of assets of, another investment company.

13. Make short sales of securities.

14. Purchase securities on margin, except that we may obtain such short-term credit as may be necessary for the clearance of securities purchases.

15. Write or invest in put or call options, or any combination thereof.

16. Issue senior securities.

Taxable Municipal Bond Series

1. With respect to 50% of the value of our total assets as of the close of each fiscal quarter, purchase the securities of any single issuer (except the United States Government, its agencies and instrumentalities), if, as a result, more than 5% of the value of our total assets would be invested in securities of such issuer (including repurchase agreements with any one bank). For this purpose, each state, each political subdivision of a state, and each district, authority, agency or instrumentality of a state or any of its political subdivisions will be deemed to be a separate issuer.

2. Borrow money, except from banks as a temporary measure for purposes of meeting redemption requests and then only in an amount not exceeding 5% of the value of our total assets.

3. Pledge or hypothecate any of our assets, except as security for a permissible temporary bank borrowing (see Restriction 2), and then only in an amount not exceeding 15% of the value of our total assets.

4. Make loans, except through the purchase of portions of issues or publicly distributed debt securities and entry into repurchase agreements. We will not enter into a repurchase agreement maturing in more than seven days if, as a result, more than 10% of the value of our total assets would be so invested.

5. Purchase securities subject to legal or contractual restrictions on resale (except those imposed by repurchase agreements).

6. Underwrite the securities of other issuers, except to the extent that our purchase of municipal securities directly from the issuer (either alone or as one of a group of bidders) may be deemed to be an underwriting of such securities.

7. Purchase or sell real estate or real estate mortgage loans, but this limitation will not prevent us from purchasing municipal securities or other securities secured by real estate or interest in real estate.

8. Purchase or sell commodities or commodity contracts.

9. Purchase equity securities or securities convertible into equity securities.

10. Purchase any security, if, as a result as of the close of each fiscal quarter more than 25% of the value of our total assets would be invested in the securities of issuers having their principal business activities in the same industry. This limitation would preclude us from investing more than 25% of the value of our total assets in industrial building revenue bonds issued to finance facilities for non-governmental issuers in any one industry. However, the limitation does not apply to any other municipal securities, to securities issued or guaranteed by the United States Government or any of its agencies or instrumentalities.

11. Invest in companies for the purpose of exercising management or control.

12. Invest in securities of other investment companies, except money market mutual funds with the same investment objective of the series or where such investment results from a merger or consolidation with, or an acquisition of assets of, another investment company.

13. Make short sales of securities.

14. Purchase securities on margin, except that we may obtain such short-term credit as may be necessary for the clearance of securities purchases.

15. Write or invest in put or call options, or any combination thereof.

16. Issue senior securities.

Intermediate Government Bond Series

1. With respect to 50% of the value of our total assets as of the close of each fiscal quarter, purchase the securities of any single issuer (except the United States Government, its agencies and instrumentalities), if, as a result, more than 5% of the value of our total assets would be invested in securities of such issuer (including repurchase agreements with any one bank or brokerage firm).

2. Borrow money, except from banks as a temporary measure for purposes of meeting redemption requests and then only in an amount not exceeding 5% of the value of our total assets.

3. Pledge or hypothecate any of our assets, except as security for a permissible temporary bank borrowing (see Restriction 2), and then only in an amount not exceeding 15% of the value of our total assets.

4. Make loans, except through the purchase of portions of issues or publicly distributed debt securities and entry into repurchase agreements. We will not enter into a repurchase agreement maturing in more than seven days, if, as a result, more than 10% of the value of our total assets would be so invested.

5. Purchase securities subject to legal or contractual restrictions on resale (except those imposed by repurchase agreements).

6. Underwrite the securities of other issuers, except to the extent that our purchase of United States Government securities directly from the issuer (either alone or as one of a group of bidders) may be deemed to be an underwriting of such securities.

7. Purchase or sell real estate or real estate mortgage loans, but this limitation will not prevent us from purchasing securities or other securities secured by real estate or interest in real estate.

8. Purchase or sell commodities or commodity contracts.

9. Purchase equity securities or securities convertible into equity securities.

10. Purchase any security, if, as a result as of the close of each fiscal quarter more than 25% of the value of our total assets would be invested in the securities of issuers having their principal business activities in the same industry. The limitation does not apply to securities issued or guaranteed by the United States Government or any of its agencies or instrumentalities.

11. Invest in companies for the purpose of exercising management or control.

12. Invest in securities of other investment companies, except money market mutual funds with the same investment objective of the series or where such investment results from a merger or consolidation with, or an acquisition of assets of, another investment company.

13. Make short sales of securities.

14. Purchase securities on margin, except that we may obtain such short-term credit as may be necessary for the clearance of securities purchases.

15. Write or invest in put or call options or any combination thereof.

16. Issue senior securities.

NON-FUNDAMENTAL RESTRICTIONS

None of the single state tax-exempt municipal bond Funds will invest in certificates of deposit or banker's acceptances.

These restrictions are "non-fundamental" investment policies of the affected Funds. As such, they may be changed by the Board of Trustees without a vote of shareholders of the affected Series.

Borrowing of Money

Each Fund permits borrowing money from banks as a temporary measure in order to pay redeeming shareholders. Such borrowings may not be in excess of 5% of the value of the assets of the affected fund.

DISCLOSURE OF PORTFOLIO HOLDINGS

The Trust regularly discloses its portfolio securities in its Semi-Annual and Annual Reports, which are available on our website at www.dupree-funds.com and in its semi-annual filings on Form N-CSR filed with the SEC. The Statement of Additional Information and the Form N-CSR may be accessed on the EDGAR database through the SEC website at http://www.sec.gov. The Trust's portfolio securities are not listed separately on the Trust's website. When and if requested by various publications or evaluation services such as *Standard & Poor's*, *Thomson Financial Services, Morningstar®,* or *Lipper* or upon request of a shareholder or prospective shareholder, the Trust will disclose a then current listing of portfolio securities. The Trust does not differentiate among categories of persons who may wish to receive a listing of portfolio securities, and imposes no conditions upon use of the information. The Trust's President or a Vice President is authorized to provide a listing of portfolio securities as of dates which differ from the dates utilized to prepare routine reports and filings. The Trust has no ongoing arrangements with any person or entity to make available information about the Trust's portfolio securities. The Officers of the Trust report to the Board of Trustees any requests for portfolio securities listings that are not already publicly available. Neither the Trust nor the investment adviser receives compensation for providing the listings of portfolio securities.

INVESTMENT ADVISER AND OTHER SERVICES

As stated in the Prospectus, our investment activities are managed by Dupree & Company, Inc. Allen E. Grimes, III, is President of the Trust and President of Dupree & Company, Inc. The voting stock of Dupree & Company, Inc. is owned by Harriet Dupree Bradley (49%), Lamar Dupree Grimes (49%) and Allen E. Grimes, III (2%). Michelle M. Dragoo is Vice President, Secretary and Treasurer of Dupree & Company, Inc. and also holds the same offices with the Trust. Vincent Harrison is Vice President of Dupree & Company, Inc. and is Assistant Secretary and Assistant Treasurer of the Trust. Dupree & Company, Inc. also serves as the SEC-registered transfer agent for the Trust.

INVESTMENT ADVISORY AGREEMENTS

Dupree & Company, Inc. serves as the investment adviser for each of our ten Funds pursuant to separate Investment Advisory Agreements with each Fund. The agreements for the Alabama, Kentucky, Mississippi, North Carolina, Tennessee Series along with the Intermediate Government Bond Series and the Taxable Municipal Bond Series are each dated November 1, 2014. Each Advisory Agreement will continue in effect until October 31, 2019. Each Advisory Agreement may be continued from year to year if such continuation is specifically approved, at least annually, by our Board of Trustees at a meeting called for that purpose, or by a separate vote of the holders of a majority of each Series' shares, and, in either case, also by vote of a majority of our Trustees. The Advisory Agreements are subject to termination by either party without penalty on 60 days written notice to the other and terminate automatically in the event of assignment. Dupree & Company, Inc. had served as the investment adviser to Kentucky Tax-Free Income Fund, Inc. from our inception through October 31, 1986, when Dupree Investment Advisers, Inc., a subsidiary of Dupree & Company, Inc., began serving as the investment adviser. In 1997, the two Dupree firms reorganized and the parent firm, Dupree & Company, Inc. once again became the investment adviser without any change in personnel or services.

Pursuant to the Advisory Agreements, Dupree & Company, Inc. provides us with investment supervisory services, office space and facilities, and corporate administration. Specifically, Dupree & Company, Inc. has undertaken to obtain and evaluate relevant information regarding the economy, industries, businesses, municipal issuers, securities markets and securities; to formulate a continuing program for the management of our assets in a manner consistent with our investment objectives; and to implement this program by selecting the securities to be purchased or sold by us and placing orders for such purchases and sales. In addition, Dupree & Company, Inc. provides for our office needs, maintains our books and records, assumes and pays all sales and promotional expenses incurred in the distribution of our shares out of its own resources without reimbursement from the Trust, staffs us with persons competent to perform all of our executive and administrative functions, supervises and coordinates the activities of our institutional and other agents (e.g., custodian, transfer agent, independent accountants, outside legal counsel), and permits its officers and employees to serve us as officers to the Trust, all without additional cost to us. Dupree & Company, Inc. may contract with commercial banks or other entities to assist in the provision of shareholder services.

Under the Advisory Agreements for each of the Funds, neither Dupree & Company, Inc. nor any of its directors, officers or employees performing executive or administrative functions for us will be liable to us for any error of judgment, mistake of law or other act or omission in connection with a matter to which the Advisory Agreements relate, unless such error, mistake, act or omission involves willful misfeasance, bad faith, gross negligence or reckless disregard of duty, or otherwise constitutes a breach of fiduciary duty involving personal misconduct.

Under the terms of the Advisory Agreements for the tax-exempt municipal bond Funds and the taxable municipal bond Fund, we have agreed to pay to Dupree & Company, Inc., as compensation for all services rendered, facilities furnished and expenses paid or assumed by it under the Agreements, a fee at the annual rate of .50 of 1% of the first $100,000,000 average daily net assets of each fund determined separately; .45 of 1% of the average daily net assets between $100,000,001 and $150,000,000 of each Fund determined separately; .40 of 1% of the average daily net assets between $150,000,001 and $500,000,000 of each Fund determined separately; .35 of 1% of the average daily net assets between $500,000,001 and $750,000,000; .30 of 1% of the average daily net assets between $750,000,001 and $1,000,000,000; and .25 of 1% of the average daily net assets in excess of $1,000,000,001. For the Intermediate Government Bond Series, we have agreed to pay to Dupree & Company, Inc., as compensation for all services rendered, facilities furnished and expenses paid or assumed by it under the Advisory Agreement, a fee at the annual rate of .20 of 1%. The fees are payable to Dupree & Company, Inc. in monthly installments in arrears. Dupree & Company, Inc. has reserved the right to voluntarily subsidize any Fund at its sole option and expense. During the past three fiscal years, the following fees have been paid to the investment adviser and the following reimbursements have been received from the investment adviser, who will not seek to recover any fees waived or reimbursements.

	Year Ended 6-30-18	Year Ended 6-30-17	Year Ended 6-30-16
Alabama Tax-Free Income Series			
Fees	$ 130,664	$ 139,814	$ 133,595
Fees waived	31,422	21,905	19,398
Kentucky Tax-Free Income Series			
Fees	3,684,905	3,731,661	3,737,514
Fees waived	-0-	-0-	-0-
Kentucky Tax-Free Short-to-Medium Series			
Fees	338,479	395,036	420,648
Fees waived	31,030	19,461	-0-
Mississippi Tax-Free Income Series			
Fees	59,352	59,968	55,778
Fees waived	25,463	18,038	19,398
North Carolina Tax-Free Income Series			
Fees	664,847	709,096	654,493
Fees waived	8,281	165	-0-
North Carolina Tax-Free Short-to-Medium Series			
Fees	109,561	116,066	119,306
Fees waived	33,973	19,920	-0-
Tennessee Tax-Free Income Series			
Fees	549,885	545,862	555,461
Fees waived	8,460	6,697	-0-
Tennessee Tax-Free Short-to-Medium Series			
Fees	50,071	55,568	56,587
Fees waived	27,258	14,322	-0-

	Year Ended 6-30-18	Year Ended 6-30-17	Year Ended 6-30-16
Intermediate Government Bond Series			
Fees	$31,060	$32,640	$36,136
Fees waived	-0-	-0-	-0-
Taxable Municipal Bond Series			
Fees	54,596	56,876	57,844
Fees waived	24,214	14,119	-0-

Portfolio Managers

Vincent Harrison is the lead portfolio manager and is responsible for the day-to-day management of all ten Funds offered by the Trust. Mr. Harrison served as assistant portfolio manager from 1999 to 2004 before becoming lead portfolio manager in 2004. Brian Tibe serves as the assistant portfolio manager. Mr. Tibe has been employed by the investment adviser since 2005 and assumed his responsibilities as assistant portfolio manager in 2015. From 2005 to 2015, Mr. Tibe was responsible for handling shareholder calls, processing fund subscriptions and redemptions, and providing general customer service to shareholders of the Trust. Messrs. Harrison and Tibe do not provide portfolio management services to any other investment accounts. All portfolio management activities are overseen by Allen E. Grimes, III, who serves as the investment adviser's principal financial and compliance officer.

Messrs. Harrison and Tibe are employed by the investment adviser for each of the Funds. Portfolio managers, like all other employees of Dupree & Company, Inc., are paid a fixed salary. All employees are eligible to receive discretionary bonuses. All employee benefits, i.e., insurance, retirement plans, etc. are the same for all employees of Dupree & Company, Inc. Mr. Grimes is a salaried employee of Dupree & Company, Inc. and receives other compensation from Dupree & Company, Inc. in recognition of his role as shareholder of Dupree & Company, Inc.

Mr. Harrison owned shares in the Kentucky Tax-Free Income Series valued at $1-$10,000 as of June 30, 2018. Mr. Tibe did not own any Fund shares as of June 30, 2018. Mr. Grimes owned shares in the Kentucky Tax-Free Income Series valued at $100,001-$500,000.

OTHER SERVICES

US Bank, 425 Walnut Street, ML 6118, PO Box 1118, Cincinnati, Ohio 45201-1118, serves as Custodian for the Trust. US Bank is responsible for the safekeeping of the assets of each Fund. US Bank presents for payment the coupons of the municipal bonds held by it or its sub-custodians and deposits payment to the Funds' accounts. Beginning April 1, 2009, the Custodian began charging the Trust for fees which exceeded the float. The Trust paid $203,193 in custodial fees during the fiscal year 2016. The Trust was given custodian credits of $1,048 during the period July 1, 2015 to June 30, 2016, which amount was applied to reduce net custodial fees. The Trust paid $203,802 in custodial fees during the fiscal year 2017. The Trust was given custodian credits of $2,186 during the period July 1, 2016 to June 30, 2017, which amount was applied to reduce net custodial fees. The Trust paid $202,341 in custodial fees during the fiscal year 2018. The Trust was given custodian credits of $6,807 during the period July 1, 2017 to June 30, 2018.

Ernst & Young LLP, 1900 Scripps Center, 312 Walnut Street, Cincinnati, Ohio 45202, serves as the independent registered public accounting firm of the Trust. The financial statements and schedules audited by Ernst & Young LLP have been included in reliance on their report given on their authority as experts in accounting and auditing.

Dupree & Company, Inc. serves as the transfer agent and dividend paying agent of the Trust, collecting monies from shareholders and paying dividends and redemption proceeds to shareholders, in addition to maintaining books and accounts of shareholder transactions. The Trust has an agreement with Dupree & Company Inc., as transfer agent, under of which a fee is paid 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% on all amounts in excess of $20,000,000. For the 2018, 2017 and 2016 fiscal years, Dupree & Company, Inc. was paid $1,718,848, $1,770,598, and $1,767,567 respectively, for the services it performed as transfer agent and dividend paying agent of the Trust.

Dupree & Company, Inc., the Trust's transfer agent, has entered into sub-shareholder servicing agreements with ARGI Investment Services, LLC, Lawrence J. Botzman, Cumberland Security Bank, and Unified Trust Company to service their clients who have entered into individual investment advisory agreements with those firms. These sub-shareholder servicing agents assist their client shareholders in completing account applications, redemption requests, change of address forms and provide other administrative services to their clients. The sub-shareholder servicing agents are compensated by Dupree & Company, Inc. at a rate of .00125 per annum of the net assets under management invested by their clients in the Kentucky Tax-Free Income Series, North Carolina Tax-Free Income Series, and the Tennessee Tax-Free Income Series. .00225 per annum of the net assets under management invested by their clients in The Kentucky Tax-Free Short-to-Medium Series, .0010 per annum of the net assets under management invested by their clients in the Intermediate Government Bond Series and .0025 per annum for all other Series' of the Trust with a minimum threshold of total investments by their clients of $1,000,000. For the 2018, 2017 and 2016 fiscal years the aggregate compensation paid by Dupree & Company, Inc. to all sub-shareholder servicing agents was $119,087, $109,878, and $110,629 respectively. The compensation is inclusive of all sub-shareholder servicing agents, some of whom may not currently have active agreements with Dupree & Company, Inc.

Dupree & Company, Inc. has also entered into a number of agreements with various financial intermediaries and/or entities (e.g., Charles Schwab & Company, National Financial Services, TD Ameritrade, Vanguard, PNC Advisors, PNC Investments, Wells Fargo, Pershing LLC, and Raymond James) that permit customers of those entities to purchase shares of the Trust. These entities are compensated by Dupree & Company, Inc. in various amounts. For fiscal year 2016, Dupree & Company, Inc. paid an aggregate amount of $176,084 in connection with the aforementioned financial intermediary agreements; for fiscal year 2017, Dupree & Company, Inc. paid an aggregate amount of $231,422 in connection with the aforementioned financial intermediary agreements; and in fiscal year 2018, Dupree & Company, Inc. paid an aggregate amount of $257,978 in connection with the aforementioned financial intermediary agreements. The fee schedules for the financial intermediaries are as follows:

Name of Firm	**Current Fee arrangement**
Raymond James & Associates, Inc.	Number of accounts, $9.00 per account
National Financial Services, LLC	Asset base x 10 basis points per year
US Bank	Asset base x 10 basis points per year
Vanguard Brokerage Services	Number of accounts, $5.00 per account
Charles Schwab	Asset base x 8 basis points per year
JP Morgan Securities	Asset base x 8 basis points per year
TD Ameritrade Trust Company	Number of accounts, $14.00 per account
Pershing LLC	Number of accounts, $14.00 per account
PNC Advisors	Asset base x 6 basis points per year and/or $4,000.00 per year flat fee minimum
PNC Investments	Asset base x 6 basis points per year
Wells Fargo	Number of accounts, $3.00 per account

Shareholders of the Trust do not pay for any costs associated with these third party financial intermediary agreements.

Thompson Hine LLP, 41 South High Street, Suite 1700, Columbus, Ohio 43216 serves as independent legal counsel to the Trust and Trustees.

Under the terms of a Compliance Services Agreement with the Trust, Ultimus Fund Solutions, LLC ("Ultimus"), 225 Pictoria Drive, Suite 450, Cincinnati, Ohio 45246, provides an individual with the requisite background and familiarity with federal securities laws to serve as the Trust's Chief Compliance Officer and to administer the Trust's compliance policies and procedures. The Trust pays Ultimus a fee of $600 per Fund per month for the services the Chief Compliance Officer provides to the Trust. Prior to August 23, 2017, Gay M. Elste (who also had previously served as independent legal counsel to the Trust and Trustees) served as the Chief Compliance Officer of the Trust and was compensated for such services on an hourly basis. For these services, she was paid for the 2017 and 2016 fiscal years $39,236 and $28,142 respectively.

OFFICERS AND TRUSTEES

The Board of Trustees is comprised of four persons (James C. Baughman, Jr., C. Timothy Cone, Ann Rosenstein Giles, and Marc A. Mathews) that are not "interested persons" and one person (William A. Combs, Jr.) that is an "interested person" as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Combs is considered an "interested person" of the Trust because his son, Huston B. Combs, is an employee of the investment adviser.

The Board meets on a quarterly basis to discuss, review and act upon business matters of the Trust. On a quarterly basis the Trustees review financial statements, dividends declared, portfolio pricing and variances, compliance subjects, brokerage allocations and selections, and adopt, ratify or amend policies. On a weekly basis the Trustees are apprised of the total investments in each portfolio and yield information. As set forth in the Declaration of Trust filed pursuant to the laws of the Commonwealth of Kentucky, the Trustees manage the business of the Trust: appointing and removing officers, agents, consultants and employees; selecting advisers, depositories, custodians, distributors, underwriters and others; and delegating responsibilities to officers and/or committees of the Trust or employees, advisers, agents or others. The Board adopts general policy and charges Dupree & Company, Inc. with the responsibility for daily investment, shareholder servicing and management decisions. The Board oversees risks to the Trust through the services of the independent auditors of the Trust and the Trust's Compliance Officer. The Trustees have engaged the independent auditors to conduct agreed upon review of management practices. In addition, the Trustees receive quarterly reports of compliance risks from both management and the Trust's Compliance Officer.

The Board has three standing committees: an Audit Committee, a Nominating Committee, and a Valuation Committee. All independent Trustees are members of the Audit Committee and Nominating Committee. All Trustees are members of the Valuation Committee. The Audit Committee of the Board meets semi-annually, or more often if needed, to review accounting, management, pricing and control functions of the Trust and other matters required by law. During the most recently completed fiscal year the Audit Committee met twice. The Nominating Committee of the Trust meets annually or more often, if needed, to nominate persons to serve on the Board of Trustees. During the most recently completed fiscal year, the Nominating Committee met once. The Nominating Committee will consider nominees recommended by security holders when a vacancy occurs. Any security holder may write to the Trust, identifying a nominee and describing the nominee's qualifications. In addition, the Trustees meet quarterly without management to discuss Trust business and the oversight responsibilities of the Trustees, including compliance matters. The Valuation Committee's purpose is to discuss, review, and approve adjustments to the valuation of bonds in the several portfolios of the Trust when necessary between regular meetings of the Board. The Valuation Committee held no meetings during the fiscal year ended June 30, 2018.

Set forth below is certain biographical information about the Trustees including a description of the specific experience, qualifications, attributes and skills that led to the conclusion that the person should serve as a member of the Board in light of the Trust's business and structure.

James C. Baughman, Jr. – Mr. Baughman served as a Chief Executive Officer, Secretary, Treasurer and Director of Office Suite Plus, Inc. and its wholly owned subsidiary, Office Suites Plus Properties, Inc., a privately held business that provides office and conference facilities with advanced technology and support services. Currently, he is President of both CJN Advisors, LLC, a business consulting firm, and Blue Horse Entries, LLC, which provides an online portal for organizers of equestrian clinics and competitions to list, and riders to search, find and submit entries. Mr. Baughman received his MBA in finance. His experience in corporate governance, strategic planning, finance and accounting, operations and marketing, real estate and technology make him duly qualified and skilled to serve on the Board.

William A. Combs, Jr. – Mr. Combs served as an Officer and Director of Mercedes-Benz of Cincinnati, Ohio and Mercedes-Benz of West Chester, Ohio until 2016. Prior to that, he was an Officer and Director of a family controlled lumber and supply business. Mr. Combs spent a considerable part of his career in senior management, corporate governance, finance, strategic thinking and consensus building. In addition to his professional commitments, Mr. Combs has served in leadership roles on numerous local civic boards.

C. Timothy Cone – Mr. Cone is Of Counsel at the Lexington, Kentucky law firm Gess, Mattingly & Atchison, P.S.C., and was President of the firm from 1994-2016. With a legal practice focused on business organizations and transactions, commercial lending and real estate, Mr. Cone has legal expertise in business formation, mergers and acquisitions, corporate governance, and strategic thinking. He also has extensive experience with the Kentucky thoroughbred industry and has served in leadership roles on numerous local civic boards.

Ann Rosenstein Giles – Ms. Giles is a self-employed marketing consultant. She has worked in various capacities in the advertising and marketing field in New York, Michigan and Kentucky. Ms. Giles has senior management experience and is highly-skilled in business development

Marc A. Mathews – Mr. Mathews currently serves as Vice-President for Finance and Business at Transylvania University in Lexington, Kentucky, and was previously Treasurer and Controller at the University of Kentucky and a Senior Audit Manager at PricewaterhouseCoopers, LLP. He is a Certified Public Accountant and a Certified Treasury Professional, and holds degrees in Business Administration and Accounting. Mr. Mathews is active on numerous local civic boards. He is well-versed in corporate governance, finance, and consensus building.

The following table sets forth information as to our **Officers and Trustees.**

Independent and Trustees:					
Name, Address and Age	**Position(s) held with Funds**	**Term of Office and Length of Time Served**	**Principal Occupation(s) During Past 5 Years**	**Number of Portfolios in Fund Complex Overseen by Trustee or Nominee**	**Other Directorships Held by Trustee or Nominee During Past Five Years**
James C. Baughman, Jr. 125 South Mill Street Lexington, KY 40507 Age: 55	Trustee Chair, Nominating Committee	Indefinite Term/ Since October 2007	President, CJN Advisors, LLC (2013-present; business consulting); President, Blue Horse Entries, LLC (2014 to present; online business support services for equestrian events); Chief Executive Officer, Secretary, Treasurer, Director Office Suites Plus, Inc. (1998-2013; executive office space rental)	10	Advisory Board, Community Trust Bank,
C. Timothy Cone 125 South Mill Street Lexington, KY 40507 Age: 74	Trustee Chairman	Indefinite Term/ Since October 2002	Of Counsel (2016 to present) prior, President, Gess, Mattingly & Atchison, P.S.C. (law firm)	10	N/A
Ann Rosenstein Giles 125 South Mill Street Lexington, KY 40507 Age: 66	Trustee Chair of Valuation Committee	Indefinite Term/ Since October 2011	AJ Marketing Partners (self-employed marketing consultant; 1987-present)	10	N/A
Marc A. Mathews, 125 South Mill Street Lexington, KY 40507 Age: 60	Trustee Chair of Audit Committee	Indefinite Term/ October 2011	Vice President for Finance and Business, Transylvania University	10	Director, Bank of the Bluegrass

Interested Trustee and Officers of the Trust					
Name, Address and Age	**Position(s) held with Funds**	**Term of Office and Length of Time Served**	**Principal Occupation(s) During Past 5 Years**	**Number of Portfolios in Fund Complex Overseen by Trustee or Nominee**	**Other Directorships Held by Trustee or Nominee During Past Five Years**
William A. Combs, Jr. 125 South Mill Street Lexington, KY 40507 Age: 78	Trustee	Indefinite Term/ October 1989	Officer, Director: Mercedes-Benz of Cincinnati, Ohio; Mercedes-Benz of West Chester, Ohio (until 2016)	10	N/A
Allen E. Grimes, III 125 South Mill Street Lexington, KY 40507 Age: 56	President	Annual Term/ President, May 2018 to present; Executive Vice President, October 2005 to May 2018	President, Dupree & Company, Inc.	N/A	N/A
Michelle M. Dragoo 125 South Mill Street Lexington, KY 40507 Age: 57	Vice President, Secretary, Treasurer	Annual Term/ Vice President, October 1998 to present; Secretary and Treasurer, October 2000 to present	Vice President, Secretary, Treasurer of Dupree & Company, Inc.	N/A	N/A
Huston B. Combs 125 South Mill Street Lexington, KY 40507 Age: 41	Vice President	Annual Term/ May 2018 to present	Attorney/Registered Representative Dupree & Company, Inc. (2017 to present); Gess Mattingly & Atchison, P.S.C. (law firm) (2003-2017)	N/A	N/A
Vincent Harrison 125 South Mill Street Lexington, KY 40507 Age: 47	Assistant Secretary & Assistant Treasurer	Annual Term/ October 2015 to present	Vice President of Dupree & Company, Inc.	N/A	N/A
Martin Dean Ultimus Fund Solutions, LLC 225 Pictoria Drive Suite 450 Cincinnati, OH 45246 Age: 54	Compliance Officer	Annual Term/ August 2017 to present	Vice President, Director of Fund Compliance Ultimus Fund Solutions, LLC (January 2016-present); Senior Vice President, Huntington Asset Services (July 2013-December 2015); Director of Fund Accounting and Fund Administration Product, Citi Fund Services (January 2008-June 2013)	N/A	N/A

As of December 31, 2017, shares of the Trust were owned by our Trustees as shown below.

Name of Trustee	Dollar Range of Equity Securities in the Fund	Series Invested
James C. Baughman, Jr.	Over $100,001	Kentucky Tax-Free Income Series
William A. Combs, Jr.	Over $100,001	Kentucky Tax-Free Income Series
C. Timothy Cone	Over $100,001	Kentucky Tax-Free Income Series
Ann Rosenstein Giles	$10,001 to $50,000	Kentucky Tax-Free Income Series
Marc A. Mathews	$50,001 to $100,000	Kentucky Tax-Free Income Series
C. Timothy Cone	Over $100,001	Kentucky Tax-Free Short-to-Medium Series
James C. Baughman, Jr.	$1 to $10,000	Intermediate Government Bond Series

As of December 31, 2017, none of the Trustees or any members of their immediate family held any beneficial interest in the Trust's investment adviser, nor were the Trustees under direct or indirect or common control with the investment adviser as reflected in the chart below. Further, the Trust does not have an underwriter.

Compensation Table

Name of Person, Position	Aggregate Compensation from Fund	Pension or Retirement Benefits Accrued As Part of Fund Expenses	Estimated Annual Benefits upon Retirement	Total Compensation From Fund and Fund Complex Paid to Trustees
William A. Combs Chairman, Trustee	$32,000	-0-	-0-	$32,000
James C. Baughman, Jr., Trustee	$32,000	-0-	-0-	$32,000
C. Timothy Cone Trustee	$32,000	-0-	-0-	$32,000
Ann Rosenstein Giles Trustee	$32,000	-0-	-0-	$32,000
Marc A. Mathews Trustee	$32,000	-0-	-0-	$32,000

For the current fiscal year, the five Trustees will be paid fees in the amount of $28,000. Additionally, the four independent Trustees who make up the Audit Committee will be paid an additional $2,000.00 for each Audit Committee meeting that is attended.

CODE OF ETHICS

Dupree Mutual Funds and Dupree & Company, Inc. have adopted Codes of Ethics applicable to all Trustees, Officers and access persons. Personnel subject to the Codes of Ethics are permitted to invest in securities that may be purchased or held by the Trust; however, such securities transactions must be disclosed on a quarterly basis. Personnel are permitted to invest in the Trust.

PORTFOLIO TRANSACTIONS

Ordinarily, portfolio securities for each Fund are purchased from underwriters at prices that include underwriting fees or from primary market makers acting as principals and selling to us at net prices. In either case, we would not pay any brokerage commission. Transactions placed with dealers serving as primary market makers are executed at prices within the spread between the bid and asked prices for the securities.

Decisions with respect to the purchase and sale of our portfolio securities, including the allocation of principal business and portfolio brokerage, are made by our investment adviser, Dupree & Company, Inc. Our investment adviser has discretionary authority to implement these decisions by placing orders for the purchase or sale of securities for our account with underwriters, dealers or brokers selected by it for that purpose. However, Dupree & Company, Inc. will not deal with us as principal, or as our agent, in purchasing and selling securities for our accounts. Sales of securities for the

Trust's portfolios, as well as allocation of brokerage, are reviewed quarterly by the Trust's Board of Trustees. Each of these sale trades are either an exclusive offering or the high bid on bonds for sale. Each is reviewed by the board on an individual basis.

Dupree & Company, Inc. has advised us that, in placing orders for the purchase and sale of our portfolio transactions, it will seek execution at the most favorable prices through responsible brokers consistent with Dupree & Company, Inc.'s best execution obligations. In selecting brokers to execute portfolio transactions Dupree & Company, Inc. will give consideration to such factors as the price of the security, the rate of commission, if any, and the size and difficulty of the order. The reliability, integrity, financial conditions, general execution and operating capabilities of competing brokers will also be taken into consideration when placing purchase and sale orders.

Dupree & Company, Inc. has further advised us that it does not presently intend to award brokerage on our portfolios to brokers who charge higher commissions because of research services they provide. However, under our Investment Advisory Agreements with it, we have authorized the investment adviser to adopt a brokerage allocation policy embodying the concepts of Section 28(e) of the Securities Exchange Act of 1934. Under such a policy, a broker furnishing research services could be paid a higher commission than the commission that would be paid to another broker which either does not furnish research services or furnishes research services deemed to be of lesser value, if such higher commission is deemed to be reasonable in relation to the value of the brokerage and research services provided by the broker charging it, either in terms of that particular transaction or in terms of the overall responsibilities of the Investment Adviser with respect to the accounts as to which it exercises investment discretion. Research services furnished by a broker can include valuation of the market prices of securities in the Trust's portfolios, evaluation of potential additions to the Trust's portfolios and credit analysis of particular issuers of securities.

Whether and to what extent net prices or commissions charged by brokers selected by Dupree & Company, Inc., reflect an element of value for research services cannot presently be determined. To the extent that research services of value are provided by brokers with or through which the investment adviser places our portfolio transactions, the investment adviser may be relieved of expenses it might otherwise bear.

It is not the practice of Dupree & Company, Inc., to allocate principal business or portfolio brokerage on the basis of share sales. However, brokers effecting purchases of our shares for their customers may participate in principal transactions of brokerage allocated as described in the preceding paragraphs. Dupree & Company, Inc. has advised us that, when it purchases municipal securities for our portfolios in underwriting, it will seek to negotiate a purchase price reflecting a reduction from the initial public offering price by an amount equal to some or all of the applicable selling group concessions.

No brokerage commissions have been paid by the Trust during the three most recent fiscal years.

SHARES OF BENEFICIAL INTEREST

Dupree Mutual Funds is a Kentucky Business Trust organized under the laws of the Commonwealth of Kentucky on July 1, 1987. The Business Trust is the successor to the Kentucky Tax-Free Income Fund, Inc. The Trust offers shares of beneficial interest of separate Series or funds without par value. The Trust is authorized to create an unlimited number of new Series or Funds, but at this time the Trust is offering shares in ten Funds as described in the Prospectus: Alabama Tax-Free Income Series, Kentucky Tax-Free Income Series, Kentucky Tax-Free Short-to-Medium Series, Mississippi Tax-Free Income Series, North Carolina Tax-Free Income Series, North Carolina Tax-Free Short-to-Medium Series, Tennessee Tax-Free Income Series, Tennessee Tax-Free Short-to-Medium Series, Taxable Municipal Bond Series and Intermediate Government Bond Series.

Each share has one vote. Fractional shares have proportionate voting rights and participate pro rata in dividends and distributions. Our shareholders have cumulative voting rights for the election of Trustees. This means that, in each election of Trustees, each shareholder has the right to cast a number of votes equal to the number of Trustees to be elected and to cast all of such votes for one candidate or distribute such votes among two or more candidates, as the shareholder sees fit. In the event of liquidation of any Fund, net assets would be distributed among shareholders of the fund pro-rata after payment of all expenses. Shareholders have no pre-emptive rights. Shareholders may convert their shares in a Fund into shares of other Funds offered by the Trust; however, this conversion will be treated as a redemption and purchase and may have tax consequences for the shareholder. When issued, our shares are fully paid and non-assessable. Shareholders rights to redeem shares and receive dividends are set forth in the Prospectus dated November 1, 2018.

As of October 4, 2018, the following persons were known to the Trust to be the beneficial owners of more than five (5%) of the outstanding shares of the following Funds:

Name(s) of Share Owners	Percent of Shares Owned of Record	Percent of Shares Owned Beneficially	Both
Alabama Tax-Free Income Series			
National Financial Services LLC 499 Washington Boulevard Jersey City, NJ 07310	9.31%		
Charles Schwab & Co., Inc. FBO Exclusive Benefit of Customers 101 Montgomery Street San Francisco, CA 94104	7.91%		
Kentucky Tax-Free Short-to-Medium Series			
National Financial Services LLC 499 Washington Boulevard Jersey City, NJ 07310	11.30%		
Paula M. Steiner Paula M. Steiner Trust 865 Rosewood Drive Villa Hills, KY 41017	5.63%		
Charles Schwab & Co., Inc. FBO Exclusive Benefit of Customers 101 Montgomery Street San Francisco, CA 94104	5.15%		
Mississippi Tax-Free Income Series			
SEI Private Trust Company Trustmark One Freedom Valley Drive Oaks, PA 19456	33.07%		
National Financial Services LLC 499 Washington Boulevard Jersey City, NJU 07310	7.30%		
Robert Lawson Holladay, Sr. 240 Oscar Street Ruleville, MS 38771	5.70%		
NC Tax-Free Income Series			
National Financial Services LLC 499 Washington Boulevard Jersey City, NJ 07310	12.28%		
National Financial Services LLC 499 Washington Boulevard Jersey City, NJ 07310	6.74%		
Charles Schwab & Co., Inc. 101 Montgomery Street San Francisco, CA 94104	6.64%		
NC Tax-Free Short-to-Medium Series			
Charles Schwab & Co., Inc. FBO Exclusive Benefit of Customers 101 Montgomery Street San Francisco, CA 94104	13.00%		
Henry W. Burnett 641 Oaklawn Avenue Winston Salem, NC 27104	12.31%		

Name(s) of Share Owners	Percent of Shares Owned of Record	Percent of Shares Owned Beneficially	Both
Tennessee Tax-Free Income Series			
Charles Schwab & Co., Inc. FBO Exclusive Benefit of Customers 101 Montgomery Street San Francisco, CA 94104	14.79%		
National Financial Services LLC 499 Washington Boulevard Jersey City, NJ 07310	6.63%		
SEI Private Trust Company One Freedom Valley Drive Oaks, PA 19456	5.96%		
Tennessee Tax-Free Short-to-Medium Series			
Charles Schwab & Co., Inc. FBO Exclusive Benefit of Customers 101 Montgomery Street San Francisco, CA 94104	26.88%		
SEI Private Trust Company First Tennessee One Freedom Valley Drive Oaks, PA 19456	10.08%		
Phillip G. Coop and Ronda K Coop Co-Trustee The Coop Living Trust 4350 Tuckahoe Road Memphis, TN 38117	5.33%		
Intermediate Government Bond Series			
Hospice of Lake Cumberland 100 Parkway Drive Somerset, KY 40253	13.54%		
Taxable Municipal Bond Series			
Hardin County Water District No. 2 360 Ring Road Elizabethtown, KY 42701	33.17%		
National Christian Charitable Foundation 11625 Rainwater Drive Suite 500 Alpharetta, GA 30004	24.65%		

MANAGEMENT OWNERSHIP

As of October 4, 2018, collectively, the Officers and Trustees owned shares of the Trust in the following funds:

Kentucky Tax-Free Income Series	2.09%
Kentucky Tax-Free Short-to-Medium Series	.72%

Officers and Trustees owned less than 1% of the shares of the Intermediate Government Bond Series.

HOW TO PURCHASE SHARES

Shares of our Trust that are offered for sale are offered directly by the Trust. Since we do not charge any sales commissions, every dollar you invest in us is applied to the purchase of our shares.

The price of your shares will be their net asset value per share, as calculated in the first determination of net asset value after your order has become effective. Your order will be priced and executed at the net asset value next determined after the order is received. There is no sales charge or load.

FINANCIAL INTERMEDIARIES

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.

If you invest through a financial intermediary (rather than directly with the Trust), the financial intermediary may charge you fees different from those described. 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 you have any questions about fees that you may be charged by them. Transactions processed through financial intermediaries may depend upon your contractual relations with the financial intermediary and whether the Trust has an arrangement with the financial intermediary.

The Funds have authorized one or more financial intermediaries to receive on its behalf purchase and redemption orders. Such financial intermediaries may be authorized to designate other intermediaries to receive purchase and redemption orders on the Funds' behalf. The Funds will be deemed to have received a purchase or redemption order when an authorized financial intermediary or, if applicable, a financial intermediary's authorized designee, receives the order.

The Prospectus describes the procedures to be utilized by an investor desiring to purchase our shares.

DETERMINATION OF 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 the close of the market, generally 4:00 p.m. ET 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: Thanksgiving, Christmas, New Year's Day, Martin Luther King, Jr Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, and Columbus Day. The above listed closing dates correspond with the dates the bond market is closed in the U.S.

On any business day when the markets close early we will close and calculate each Fund's NAV at the market closing time. On those days when the market has an early close a time of 2:00 p.m. ET, any purchase and/or redemption orders received after 2:00 p.m. ET 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 there are an early or full market 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.

Valuation Methodology – Tax-Exempt and Taxable Municipal Bond Series

The municipal securities in which we invest are traded primarily on the over-the-counter market. We value municipal securities (tax-exempt and taxable) in accordance with valuation policies and procedures approved by the Trust's Board of Trustees. The valuation policies and procedures are designed to determine daily, the expected price that would be received for each municipal security held by the Trust, if that security were to be sold in an arms-length transaction on that day. Dupree will value each municipal security based initially on original purchase price, and from then forward on subsequent days, the municipal security will be assigned a current market value by Dupree's accounting system.

Dupree receives yield data daily from Thomson Reuters' Municipal Market Data (MMD) service which is an independent data provider. The MMD data provides daily market yield for municipal securities maturing from one to thirty years with credit quality ratings ranging from "BBB/Baa" to "AAA/Aaa".The MMD data is entered into Dupree's accounting system at the beginning and end of each trading day. Dupree's accounting system then calculates a price for each municipal security based on a spread to the yields entered.

The prices generated for each municipal security by Dupree's accounting system are compared, on a weekly basis, with yields and prices obtained from ICE Data Services ("ICE") and Bloomberg Valuation Service (BVAL). Individual bond spreads are adjusted as necessary during this weekly process, or any other time when adjustments are necessary to reflect current market prices.

Dupree is responsible for maintaining prices that compare closely to valuations of one or all of the following valuation sources: ICE, BVAL, or MMD. Pursuant to the valuation policies and procedures, a bond valuation that is not supported by the range of one of these valuation sources requires management to fair value the security in consultation with the Board's Valuation Committee.

Valuation Methodology – Intermediate Government Bond Series

The securities held in the Intermediate Government Bond Series are priced daily utilizing prices obtained from ICE. The prices are examined by Dupree for accuracy and daily price changes are evaluated, modified, or challenged as appropriate.

HOW TO REDEEM SHARES

The Prospectus describes the procedures to be utilized by a shareholder desiring to redeem our shares. A $12.00 wire fee applies to all redemptions processed by wire. The transfer agent may deduct the wire charge from the redemption proceeds. There is no fee for processing redemption proceeds through the Automated Clearing House electronic funds transfer system.

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 reside in a state or 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 and/or capital gains distribution options to receive your dividends and/or capital gains in cash in lieu of reinvestment of said dividends and/or capital gains distributions 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.

FEDERAL INCOME TAXES

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. This would prevent such holders from realizing the full current benefit of the federal tax status of such interest. Several bills have also been introduced in Congress in the past that, if enacted, would curtail or eliminate the tax-exemption retroactively or prospectively. Because many states adopt the Internal Revenue Code as a part of the state taxation system, any changes to the federal income and/or capital gains laws may result in changes to state tax laws, resulting in a loss of or reduction in the exemption of municipal bond interest for state income tax purposes. Prospective purchasers of the tax-exempt municipal bond funds should consult their own tax advisors regarding the potential consequences of any federal budget proposal and/or other legislative proposals to the treatment of interest on the bonds and distributions paid by the tax exempt municipal bond Funds.

Effective for the taxable years beginning after December 22, 2010, each Fund is permitted to carry forward capital losses for an unlimited period, and those capital loss carry forwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as provided under prior law..

At June 30, 2018, the Funds' capital loss carry-forwards expire as follows:

	No Expiration		
	Short-term	Long-term	Total
Alabama Tax Free Income Series	$ 35,043	$ 28,829	$ 63,872
Kentucky Tax-Free Short-to-Medium Series	210,547	-	210,547
North Carolina Tax-Free Income Series	1,232,968	112,215	1,345,183
North Carolina Tax-Free Short-to-Medium Series	19,255	-	19,255
Tennessee Tax-Free Income Series	278,197	3,280	281,477
Tennessee Tax-Free Short-to-Medium Series	-	230,668	230,668
Intermediate Government Bond Series	120,261	32,747	153,008
Taxable Municipal Bond Series	35,412		35,412

During the year ended June 30, 2018, the following Funds utilized capital loss carry-forwards as follows:

	Amount
North Carolina Tax-Free Short-to-Medium Series	$4,174
Intermediate Government Bond Series	6,059

During the year ended June 30, 2018, the following Funds had capital losses expire:

	Amount
Tennessee Tax-Free Income Series	$371,142

Capital losses incurred after October 31 ("Post-October" losses) within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. The following Funds incurred and will elect to defer net capital losses during the fiscal year 2018 as follows:

	Post October Losses
Mississippi Tax-Free Income Series	$(3,807)

During the year ended June 30, 2018, as a result of permanent book to tax differences, the Funds incurred differences that affected undistributed (accumulated) net investment income (loss), accumulated net realized gain (loss) on investments and aggregate paid in capital by the amounts in the table below. The differences are due to expiration of capital loss carryforwards and sales of market discount bonds. Net assets were not affected by these reclassifications.

	Accumulated Net Realized Gain/(Loss)	Paid In Capital	Accumulated Net Investment Income/(Loss)
Alabama Tax-Free Income Series	$ 181	$ -	$ (181)
Kentucky Tax-Free Income Series	48,307	-	(48,307)
North Carolina Tax-Free Income Series	1,933	-	(1,933)
Tennessee Tax-Free Income Series	371,142	(371,142)	

No mutual fund is a complete investment program and you may lose money by investing in the Funds. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by the U.S. government. More detailed information about the Trust, its investment policies, restrictions and risks can be found in the Trust's Prospectus dated November 1, 2018.

TAX INFORMATION

The information provided below is not an attempt to provide you with tax advice and does not purport to deal with all of the tax consequences that may be applicable to your investment in our Funds. You should always consult with your own tax adviser and/or tax attorney for more details on how our Funds may affect your individual state and Federal tax liability. The information contained herein is deemed to be accurate as of November 1, 2018, but is subject to change and should only be used as general guidance.

Federal Tax Information

We have qualified as a “regulated investment company” under the Internal Revenue Code and intend to continue such qualification. By qualifying as a regulated investment company we are relieved of Federal and state income taxes on all net income and all net realized capital gains, if any, that we distribute to shareholders. In order to qualify for this treatment, we must (i) derive at least 90% of our gross income from dividends, interest and gains from the sale or other disposition of securities, (ii) meet certain diversification tests as to our investments in securities, and (iii) distribute to shareholders at least 90% of our net tax exempt and net taxable income earned in any year. A failure to qualify as a regulated Investment company would result in distributions to shareholders being taxed as ordinary dividends.

You must report your total tax-free income on your federal income tax return. The IRS uses this information to help determine the status of any social security payments that 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.

The sale of shares may result in a capital gain or loss depending upon your tax basis in your Fund shares. If you have owned your shares for more than one year, gains reportable on the sale of your shares may qualify for reduced rates of taxation on capital gains. For tax purposes, an exchange of your Fund shares for another Fund offered by the Trust is treated the same as a sale, and will normally generate a gain or loss that will be reported to you in your year-end tax information. Distribution of net short-term capital gains we may realize from the sale of municipal or other securities will be taxable to the shareholders as ordinary income. Distribution of net long-term capital gains, if any, generally will be taxable to shareholders as long-term capital gains regardless of how long the shareholder has held the shares in respect of which the distribution is paid. The tax effect of dividends (whether taxable or exempt) on our shareholders is the same whether such dividends are in the form of cash or additional shares.

The net asset value at which our shares are purchased may include undistributed income or capital gains or unrealized appreciation in the value of securities held in our investment portfolio. To the extent that such income or gains, or any capital gains realized from such appreciation, are subsequently distributed to the holder of such shares, the distributed amounts, although considered a return of investment, may be taxable as set forth above.

The Internal Revenue Code prohibits investors from deducting for federal income tax purposes interest paid on loans made or continued for the purpose of purchasing or carrying shares of a mutual fund, such as the tax-exempt municipal bond Funds that distribute exempt interest dividends. Under rules of the IRS, there are circumstances in which purchases of our shares may be considered to have been made with borrowed funds, even though the borrowed funds are not directly traceable to the share purchases.

In any fiscal year in which any Fund has taxable income, we will use the actual earned method of allocating taxable and nontaxable income. We will also allocate expenses between taxable and non-taxable income. In any such year, the percentage of quarterly dividends that are exempt from taxation will vary from quarter to quarter.

The following summary discusses some of the more important tax issues affecting the Trust and its shareholders.

Excise Tax

The Internal Revenue Code contains a provision that discourages a regulated investment company from deferring its shareholders’ taxes by delaying distributions of dividend income to shareholders. Under the provision, a 4% non-deductible federal excise tax is levied on undistributed Fund income unless the fund distributes at least; i) 98% of calendar year ordinary income during the calendar year; ii) 98.2% of capital gain net income earned in the year ending October 31 by December 31; and iii) 100% of any undistributed capital gain net income from the prior October 31 measurement period and 100% of any undistributed ordinary income from the prior December 31 measurement period.

Capital Gains

The sale of shares may result in a capital gain or loss depending upon your original tax basis in your Fund shares. Long-term capital gain distributions to a corporation will be taxed at long-term capital gains rates applicable to corporations. Net long-term capital gain distributions to individuals generally will be taxed long term capital gains rates applicable to individuals.

Losses and Certain Limitation

Losses that may be realized on the sale of Fund shares may be subject to disallowance or limitation under various tax rules. For example:

- If the stock of a Fund is held for six months or less, any loss on the sale of that stock generally would be disallowed to the extent the taxpayer received exempt interest dividends with respect to that stock. However, the loss disallowance rule for exempt interest dividends will not apply to a loss realized on the sale of Fund shares for which the taxpayer's holding period begins after December 22, 2010, if the Fund declares dividends daily and distributes them at least monthly.
- All or a portion of a loss realized upon the sale of Fund shares may be disallowed to the extent shares are purchased (including shares acquired by means of reinvested dividends) within 30 days before or after that sale.
- Any loss realized on the sale of Fund shares within six months from the date of purchase will be treated as a long-term capital loss to the extent of any amounts treated as capital gain dividends during that six-month period.

Tax Exempt Bonds

Interest on non-governmental purpose bonds, such as industrial development bonds, issued by qualified government units may be taxable unless the bonds are issued to finance certain specified exempt activities, are used for development of industrial park sites, or are exempt small issues. Furthermore, bonds issued for activities for non-governmental persons are referred to collectively as "non-essential" bonds. Interest on non-essential bonds may be taxable unless a specific exception is provided. Tax-exempt interest on non-essential function bonds generally will be treated as an alternative minimum tax preference item for corporate and individual taxpayers. The Trust does not intend to purchase "non-essential purpose" bonds for the tax-exempt municipal bond Funds. The Internal Revenue Services ("IRS") may audit issuers of municipal bonds and, in some cases, may determine that the interest paid on certain municipal bonds that were originally issued as tax-exempt bonds is not excludable from adjusted gross income. Such reclassifications or actions could cause interest from a municipal security to become taxable retroactively thereby increasing your tax liability. Moreover, such reclassifications or actions could cause the value of a security to drop which may result in a decline in the value of a Fund's shares. The potential reclassification of income by the IRS is a risk of investing in tax-exempt municipal bonds.

Tax-Exempt Municipal Bond Funds

As a regulated investment company, we may be qualified to pay "exempt interest dividends", provided that at least 50% of our total assets are invested in municipal securities at the close of each quarter of our taxable year. Shareholders receiving exempt interest dividends may exclude them from gross income for Federal income tax purposes. However, dividends to our shareholders from net income we may earn from investments in non-municipal securities will be fully taxable as interest income.

Taxable Municipal Bond Series

Ordinarily, the dividends we pay from net income earned on our investments in this Fund are <u>not</u> considered exempt interest dividends. Accordingly, shareholders will include these dividends in gross income for federal income tax purposes. Dividends paid by this Fund may also be subject to tax at the state level. Interest on non-governmental purpose bonds, such as industrial development bonds, issued by qualified government units may be taxable unless the bonds are issued to finance certain specified exempt activities, are used for development of industrial park sites, or are exempt small issues. Furthermore, bonds issued for activities for non-governmental persons are referred to collectively as "non-essential" bonds. Interest on non-essential bonds may be taxable unless a specific exception is provided. Tax-exempt interest on non-essential function bonds generally will be treated as an alternative minimum tax preference item for corporate and individual taxpayers. Interest earned on Build America Bonds held by the Taxable Municipal Bond Series is subject to tax at the federal level and may be subject to tax at the state level. Please consult your tax adviser for more details of how this Fund may affect your state tax liability.

Intermediate Government Bond Series

Ordinarily, the dividends we pay from net income earned on our investments are <u>not</u> considered tax exempt interest dividends. Accordingly, shareholders will include these dividends in gross income for federal income tax purposes.

Dividends we pay from the net income earned on out investments in this Fund may be subject to state tax. The above analysis is not all-inclusive and is subject to federal regulations. Please consult your tax adviser for more details of how this Fund may affect your state tax liability.

Additional Medicare Tax

Under current law, an additional 3.8% Medicare tax may be imposed on certain net investment income (including ordinary dividends and capital gain dividends, as well as gains from redemption of Fund shares) of U.S. individuals, estates and trusts, to the extent that the shareholder's "modified adjusted gross income" (in the case of an individual) or "adjusted gross income" (in the case of an estate or trust) exceeds certain threshold amounts. Shareholders are urged to consult their own tax advisers regarding the implications of the additional Medicare tax resulting from an investment in a Fund.

Backup Withholding

A Fund will be required to report to the Internal Revenue Service all distributions of taxable income and capital gains as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt shareholders. Under the backup withholding provisions of Section 3406 of the Internal Revenue Code, distributions of investment company taxable income and net capital gain and proceeds from the redemption or exchange of the shares of a regulated investment company may be subject to withholding of federal income tax in the case of non-exempt shareholders who fail to furnish the investment company with their taxpayer identification numbers and with required certifications regarding their status under the federal income tax law, or if the Fund is notified by the IRS or a broker that withholding is required due to an incorrect TIN or a previous failure to report taxable interest or dividends. If the withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in additional shares, will be reduced by the amounts required to be withheld.

Foreign Account Tax Compliance Act

Payments to a Fund shareholder that is either a foreign financial institution ("FFI") or a non-financial foreign entity ("NFFE") within the meaning of the Foreign Account Tax Compliance Act ("FATCA") may be subject to a generally nonrefundable 30% withholding tax on: (a) income dividends paid by a Fund after June 30, 2014 and (b) certain capital gain distributions and the proceeds arising from the sale of Fund shares paid by a Fund after December 31, 2018. FATCA withholding tax generally can be avoided: (a) by an FFI, subject to any applicable intergovernmental agreement or other exemption, if it enters into a valid agreement with the IRS to, among other requirements, report required information about certain direct and indirect ownership of foreign financial accounts held by U.S. persons with the FFI and (b) by an NFFE, if it: (i) certifies that it has no substantial U.S. persons as owners or (ii) if it does have such owners, reports information relating to them. A Fund may disclose the information that it receives from its shareholders to the Internal Revenue Service, non-U.S. taxing authorities or other parties as necessary to comply with FATCA. Withholding also may be required if a foreign entity that is a shareholder of a Fund fails to provide the Fund with appropriate certifications or other documentation concerning its status under FATCA.

Alabama Tax Information

Insofar as the dividends we distribute from the **Alabama Tax-Free Income Series** qualify as "exempt interest dividends" for federal income tax purposes, for residents of Alabama, they will also be excludable from the shareholder's gross income for Alabama income tax purposes. All other dividends and distributions, as well as any earnings we receive from taxable investments and any capital gains we realize from any investments, will have the same general consequences to shareholders for Alabama income tax purposes as they have for federal income tax purposes. This means that for residents of Alabama dividends paid by the Fund will ordinarily be excludable from gross income for Alabama state income tax purposes.

The dividends that we distribute from the **Intermediate Government Bond Series** and **Taxable Municipal Bond Series** do not qualify as "exempt interest dividends" for federal income tax purposes. For residents of Alabama, dividends paid by these Funds and any other tax free Funds may also be subject to state income and/or ad valorem taxes.

No representation is made as to the tax implications of an Alabama corporation or other entity.

Always consult with your tax adviser for more details on how investment in our Funds may affect your tax liability.

Kentucky Tax Information

Insofar as the dividends we distribute from the **Kentucky Tax-Free Income Series** and the **Kentucky Tax-Free Short-to-Medium Series** qualify as “exempt interest dividends” for federal income tax purposes, for residents of Kentucky, they will also be excludable from the shareholder’s gross income for Kentucky income tax purposes. All other dividends and distributions, as well as any earnings we receive from taxable investments and any capital gains we realize from any investments, will have the same general consequences to shareholders for Kentucky income tax purposes as they have for Federal income tax purposes. This means that for residents of Kentucky dividends paid by the Fund will ordinarily be excludable from gross income for Kentucky state income tax purposes.

The dividends that we distribute from the **Intermediate Government Bond Series** and **Taxable Municipal Bond Series** do not qualify as “exempt interest dividends” for federal income tax purposes. For residents of Kentucky, dividends paid by these Funds and any other tax free Funds may also be subject to state income and/or ad valorem taxes.

No representation is made as to the tax implications of a Kentucky corporation or other entity.

Always consult with your tax adviser for more details on how investment in our Funds may affect your tax liability.

Mississippi Tax Information

Insofar as the dividends we distribute from the **Mississippi Tax-Free Income Series** qualify as “exempt interest dividends” for federal income tax purposes, for residents of Mississippi, they will also be excludable from the shareholder’s gross income for Mississippi income tax purposes. All other dividends and distributions, as well as any earnings we receive from taxable investments and any capital gains we realize from any investments, will have the same general consequences to shareholders for Mississippi income tax purposes as they have for federal income tax purposes. This means that for residents of Mississippi dividends paid by the Fund will ordinarily be excludable from gross income for Mississippi state income tax purposes.

The dividends that we distribute from the **Intermediate Government Bond Series** and **Taxable Municipal Bond Series** do not qualify as “exempt interest dividends” for federal income tax purposes. For residents of Mississippi, dividends paid by these Funds and any other tax free Funds may also be subject to state income and/or ad valorem taxes.

No representation is made as to the tax implications of a Mississippi corporation or other entity.

Always consult with your tax adviser for more details on how investment in our Funds may affect your tax liability.

North Carolina Tax Information

Insofar as the dividends we distribute from the **North Carolina Tax-Free Income Series** and the **North Carolina Tax-Free Short-to-Medium Series** qualify as “exempt interest dividends” for federal income tax purposes, for residents of North Carolina, they will also be excludable from the shareholder’s gross income for North Carolina income tax purposes. All other dividends and distributions, as well as any earnings we receive from taxable investments and any capital gains we realize from any investments, will have the same general consequences to shareholders for North Carolina income tax purposes as they have for federal income tax purposes. This means that for residents of North Carolina dividends paid by the Fund will ordinarily be excludable from gross income for North Carolina state income tax purposes.

The dividends that we distribute from the **Intermediate Government Bond Series** and **Taxable Municipal Bond Series** do not qualify as “exempt interest dividends” for federal income tax purposes. For residents of North Carolina, dividends paid by these Funds and any other tax free Funds may also be subject to state income and/or ad valorem taxes.

No representation is made as to the tax implications of a North Carolina corporation or other entity.

Always consult with your tax adviser for more details on how investment in our Funds may affect your tax liability.

Tennessee Tax Information

Insofar as the dividends we distribute from the **Tennessee Tax-Free Income Series** and the **Tennessee Tax-Free Short-to-Medium Series** qualify as "exempt interest dividends" for federal income tax purposes, for residents of Tennessee, they will also be excludable from the shareholder's gross income for Tennessee income tax purposes. All other dividends and distributions, as well as any earnings we receive from taxable investments and any capital gains we realize from any investments, will have the same general consequences to shareholders for Tennessee income tax purposes as they have for federal income tax purposes. This means that for residents of Tennessee dividends paid by the Fund will ordinarily be excludable from gross income for Tennessee state income tax purposes.

Individual shareholders of the Tennessee Series are not subject to Tennessee ad valorem taxes on their shares or on the dividends and distributions they receive from us.

For Tennessee residents who own shares of the Taxable Municipal Bond Series or the Intermediate Government Bond Series, a portion of the dividends paid by the Trust is exempt from Tennessee state income taxes.

The dividends that we distribute from the **Intermediate Government Bond Series** and **Taxable Municipal Bond Series** do <u>not</u> qualify as "exempt interest dividends" for federal income tax purposes. For residents of Tennessee, dividends paid by these Funds and any other tax free Funds may also be subject to state income and/or ad valorem taxes.

No representation is made as to the tax implications of a Tennessee corporation or other entity.

Always consult with your tax adviser for more details on how investment in our Funds may affect your tax liability.