



L. Roy Papp & Associates, LLP

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of L. Roy Papp & Associates, LLP (“LRP”, “Company”, “Advisor”, or “the Firm”). If you have any questions about the contents of this brochure, please contact us at 602-956-0980. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

LRP is a registered investment advisor. Being a “registered investment adviser” or describing ourselves as being “registered,” does not imply a certain level of skill or training.

Additional information about LRP is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

In 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure contains information about the Company and there have been no material changes since its adoption.

Table of Contents

Advisory Business	2
Fees and Compensation	3
Performance Based Fees and Side-by-Side Management	4
Types of Clients	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Brokerage Practices	7
Review of Accounts	10
Client Referrals and Other Compensation	10
Custody	10
Investment Discretion	11
Voting Client Securities	11
Financial Information	12

Advisory Business

LRP primarily provides customized investment management services to high-net worth individuals and associated trusts, estates, pension and profit sharing plans, registered mutual fund, and other legal entities. LRP generally invests client assets in domestic stocks, bonds, exchange traded funds (“ETFs”) and mutual funds.

LRP manages portfolios for clients based on the goals and objectives of each individual client. Clients are assigned to a portfolio manager and each portfolio manager considers the client’s time horizon, risk tolerance, cash flow needs and other personal preferences when designing an investment portfolio. Portfolio managers design more conservative investment allocations for clients who are more risk adverse or more aggressive investment allocations for clients that desire a more growth-oriented portfolio. Portfolio managers analyze existing holdings and make recommendations for purchases and sales based on market conditions so as to maximize the probability of achieving the client’s goals and objectives while minimizing risks and expenses. Clients may impose restrictions on investing in certain securities or types of securities within their portfolio.

Pursuant to an investment management contract with Papp Investment Trust (“Trust”), LRP serves as adviser to Papp Small & Mid-Cap Growth Fund (“Fund”). As the adviser to the Fund, LRP shall determine what securities shall be purchased for the Fund, and what securities shall be held or sold by the Fund. LRP will provide investment advice and recommendations consistent with the investment policies, objectives and restrictions of the Fund. From time to time LRP may recommend that clients buy or sell shares in the Fund. Clients are not charged any investment management fees for the management of assets in the Fund. LRP waives any investment management fees relative to the Fund at the separate account level. However, clients are responsible for paying the advisory fees charged by the Fund.

LRP was founded in 1978 and is primarily owned by Harry Papp and Rosellen Papp. As of December 31, 2011 LRP managed \$577.8 million on a discretionary and \$81.2 million on nondiscretionary basis.

Fees and Compensation

LRP charges most of its clients an annual investment management fee based on the following schedule:

<u>Assets under management</u>	<u>Annual Fee</u>
First \$3 Million	1.00%
Amounts in excess of \$3 Million & up to \$5 Million	0.75%
Amounts in excess of \$5 Million	0.50%

LRP has waived or negotiated lower fees for certain clients, such as charitable organizations or employees’ family members.

LRP charges fees quarterly in arrears based on the account value at the end of the prior quarter. Most clients authorize LRP to deduct fees automatically from their brokerage accounts, but clients may request that LRP send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with LRP in the middle of a billing period LRP will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

Separate Managed Accounts

LRP has entered into an agreement with Charles Schwab & Co. to participate in Schwab’s managed Account Marketplace (“Marketplace”). Marketplace is designed to help other advisors and their clients find an independent investment advisor. Through Marketplace, clients who use Schwab as their custodian can select LRP to manage their account.

Fees are payable at the end of each quarter and will be deducted from the client’s account. The fee will be calculated as a percentage of the market value of all assets in Client’s Account on the

last trading day of each calendar quarter. In any partial calendar quarter, the advisory fee will be pro-rated based upon the number of days that the Account was open during the quarter. The contract for service may be terminated as of the end of any quarterly period on thirty (30) days notice by either party.

<u>Assets under management</u>	<u>Annual Fee</u>
First \$3 Million	1.00%
Amounts in excess of \$3 Million & up to \$5 Million	0.75%
Amounts in excess of \$5 Million	0.50%

The Firm reserves the right to waive or reduce fees from time to time on an individual account basis.

In addition to LRP's investment management fees, clients bear trading costs and custodial fees. To the extent that clients' accounts are invested in mutual funds, these funds pay a separate layer of management, trading, and administrative expenses.

Performance Based Fees and Side-by-Side Management

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (*e.g.*, an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. LRP does not charge any performance-based fees.

Types of Clients

LRP primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, investment companies, pooled investment vehicles, foundations, corporations, partnerships and other legal entities. LRP's minimum account size is generally \$1,000,000, but this amount is negotiable.

Methods of Analysis, Investment Strategies and Risk of Loss

LRP's Research Director, Rosellen Papp, and Research Analysts, Brian Riordan and Greg Smith, work together to conduct fundamental analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. For stocks and bonds the analysis generally includes a review of:

- The issuer's management;

- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

Fixed income producing investments are selected primarily for quality. LRP chooses investment grade bonds and guaranteed deposits because we feel that assets devoted to producing income, or hedging your risk capital, should minimize the risk of return of your capital. These investments could include United States and foreign government securities, municipal securities, and corporate debt securities, commercial paper, certificates of deposit and mutual funds or exchange traded funds consisting of the former.

Investment Strategies

LRP determines the appropriate use of equities in a portfolio, and selects investments that meet the risk profile for each client. These investments may consist of equity securities listed on major U.S. stock exchanges and over-the-counter markets. Equity securities may also be of foreign issuers.

LRP uses a "growth" style of management and seeks to invest in issuers with above average potential for earnings growth. In choosing investments, LRP looks for equity securities of companies that it regards as having excellent prospects for capital appreciation at a price, relative to the market as a whole, which does not fully reflect the superiority of that particular company. LRP measures a company's prospects for capital growth by considering, among other factors, growth over extended periods of time, above-average profitability created through operating efficiency rather than financial leverage, and cash flows that appear to confirm the sustainability of growth.

LRP intends to hold the majority of the investments it purchases for the long term (securities held for at least a year). However, market developments could cause us to sell securities more quickly.

Some investments are purchased with the knowledge that we will be holding them for less than one year. This is done primarily for liquidity purposes or short-term opportunities. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

Principal Risks

As with any investment, there is a risk that you could lose money by investing in the any of these styles of investments. The success of each investment strategy depends largely upon LRP's skill in selecting securities for purchase and sale and there is no assurance that an account will achieve its investment objective. Because of the types of securities in which an account invests and the investment techniques we use, accounts are designed for investors who are investing for the long term. An investment in the stock market is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Market Risk

The return on and value of an investment in each account will fluctuate in response to stock market movements. Common stocks and other equity securities are subject to market risks, such as a rapid increase or decrease in a security's value or liquidity, and fluctuations in price due to earnings, economic conditions and other factors beyond the control of LRP. A company's share price may decline if a company does not perform as expected, if it is not well managed, if there is a decreased demand for its products or services, or during periods of economic uncertainty or stock market turbulence, among other conditions. At times, the stock market can be volatile and stock prices can change dramatically.

Investment Style and Management Risk

LRP's method of security selection may not be successful and each account may underperform relative to other advisors that employ similar investment strategies. LRP's growth style may go out of favor with investors, negatively impacting performance. In addition, LRP may select investments that fail to appreciate as anticipated.

All investing involves a risk of loss that clients should be prepared to bear.

Disciplinary Information

LRP and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

LRP and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

LRP has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires LRP and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. LRP's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

From time to time, trading by the Firm and its associated persons (and certain of their relatives) in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If transaction orders for a client and the Firm (and/or its associated persons and relatives) are executed on the same day, then transaction orders for client accounts will take priority. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

From time to time LRP may recommend that clients buy or sell shares in the Papp Small & Mid-Cap Growth Fund. LRP and its affiliates, officers, employees, or directors may purchase an unlimited number of shares and/or interests in the Fund advised by the Firm.

LRP maintains a watch list of securities that are being considered for client accounts, as well as securities already held in client accounts. Any proposed employee transaction involving securities on the watch list requires preclearance from the Chief Compliance Officer. The Chief Compliance Officer does not grant preclearance where it would appear that an employee's trading could disadvantage LRP's clients.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients.

A copy of LRP's code of ethics is available upon request.

Brokerage Practices

Clients may utilize the broker/dealer of their choice. LRP will make recommendations, but you have no obligation to execute trades through our recommended broker/dealers. LRP generally trades stocks, mutual funds, and ETFs with the client's custodian, and trades bonds with the dealer that offers sufficient liquidity and the most favorable pricing. Other clients may specifically request that their accounts only be traded through a particular broker/dealer. In such cases, LRP trades these accounts through the firm chosen by the client, which limits LRP's ability to seek best execution.

LRP looks at many things when we select brokers and dealers. We attempt to minimize the total cost for all brokerage services paid by our clients, but the broker/dealers we recommend may not offer the lowest fees or commission rates available. Instead, we focus on obtaining “best execution”.

Best execution does not necessarily mean lowest fees. Rather it means the best total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account several factors, such as:

- The reputation, reliability, execution capability, experience, and financial stability of the executing broker or dealer;
- The price of the security;
- The size of the transaction;
- The nature of the market for the security;
- The commission amount;
- The timing of the transaction in light of market prices and trends; and
- The quality of service rendered by the broker or dealer in other transactions.

The Company generally recommends that clients arrange for their assets to be held with Charles Schwab & Company (“Schwab”). There is no affiliation between the Company and Schwab, however Schwab does provide independent investment advisers services and other tools for managing client accounts.

Schwab provides us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Services that Benefit You. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

All of the benefits highlighted do not depend on the amount of transactions directed by the Company to Schwab.

Soft Dollar Benefits

LRP receives no material products, services, brokerage reports, or research services from any broker on a regular basis. However, occasionally a broker will supply LRP with proprietary and third-party research and other products and services (i.e. receipt of duplicate trade confirmations and account statements, trading desk access, the ability to aggregate clients' securities transactions, the ability to directly debit advisory fees from clients' accounts, receipt of compliance publications, and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors). LRP has determined that it would obtain such research and other products and services regardless of the amount of commissions it generates throughout the year. Therefore, LRP is not "paying-up" for the proprietary and third-party research and other products and services offered by the various custodians that are utilized to safe keep clients' funds and securities.

LRP has no agreement, understanding or arrangement with any broker whereby it directs client account brokerage in exchange for research or other considerations.

Directed Brokerage

The Company will accept direction from clients or agree to limitations with respect to the Company's brokerage discretion as to which broker or brokers is/are to be used and what commissions are to be paid. Any such direction or limitation must be in writing. Clients which, in whole or in part, direct the Company to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect the Company's ability to, among other things, obtain best price and execution, and the cost of the transaction may be greater. Clients that direct their brokerage should also be aware that Company will generally place such trades after the completion of trades for clients that do not direct their brokerage.

Client Referrals

LRP does not compensate any custodians or broker/dealers for referring client accounts.

Review of Accounts

Accounts under LRP's management are monitored on an ongoing basis by the portfolio managers and the Chief Compliance Officer. The portfolio managers review each account in detail on at least a quarterly basis, as well as in connection with each client meeting. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. LRP may supplement these custodial statements with reports provided during client meetings or as requested.

Client Referrals and Other Compensation

LRP does not compensate any person for client referrals nor does it offer or receive sales awards or prizes for providing investment advice to clients.

Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but LRP can access many clients' accounts through its ability to debit advisory fees and for a few accounts where LRP or one of its employees acts as Trustee. For these reasons LRP is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by LRP.

LRP also serves as the general partner to an investment limited partnership. Audited financial statements are provided to the partners on an annual basis.

Investment Discretion

The Company typically manages client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by clients. For accounts handled on a discretionary basis, the Company typically has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions; however the portfolio manager will generally discuss trades prior to executing the trades. Clients grant LRP trading discretion through the execution of a limited power of attorney included in LRP's advisory contract.

The majority of trades for LRP clients are done on an account-by-account basis due to the fact that clients select different brokers and accounts are assigned to different portfolio managers who are responsible for making investment decisions. Therefore client accounts may receive more favorable executions when purchasing or selling securities than other accounts. Transactions for each client account generally will be effected independently, unless LRP decides to purchase or sell the same securities for a number of client accounts simultaneously. When possible, orders for the same security may be aggregated to facilitate best execution. Accounts in which a related person or affiliate of LRP has a financial interest ("related accounts") may participate in a bunched order with LRP's other advisory clients. The Advisor effects aggregated trades in a manner designed to ensure that no participating client, including any related account, is favored over any other client. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Securities purchased or sold in a batched transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. LRP may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if LRP is unable to fully execute a batched transaction and LRP determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, LRP may allocate such securities in a manner determined in good faith to be a reasonable and fair allocation.

When LRP transacts securities for more than one account, the investment opportunities and trades are allocated in a manner consistent with our fiduciary duties. LRP takes into account cash availability and need, suitability, investment objectives and guidelines and other factors deemed appropriate in making investment allocation decisions.

Voting Client Securities

Clients shall maintain all proxy voting authority unless a specific written delegation of voting authority has been given to LRP. In the event we vote proxies, LRP has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that LRP receives will be treated in accordance with these policies and procedures.

LRP considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, LRP votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. LRP also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

LRP has not identified any material conflicts of interest in connection with past proxy votes. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Absent specific client instructions, if LRP identifies a material conflict of interest it will escalate the matter to a committee consisting of LRP's Managing Partner, Research Director and CCO and vote the matter, as a majority of the committee shall determine, in the best interest of all affected LRP clients and unaffected by the conflict. LRP will preserve, as a book and record of the firm, all materials reflecting the reasons and basis upon which the committee determined to vote proxies referred for its attention.

A copy of LRP's proxy voting policies and procedures, as well as specific information about how LRP has voted in the past, is available upon written request.

Financial Information

LRP has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.