

Next Century Growth Investors, LLC
Form ADV Part 2A
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March 31, 2022

This brochure provides information about the qualifications and business practices of Next Century Growth Investors, LLC. If you have any questions about the contents of this brochure, please contact us at 763-591-4490. 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.

Additional information about Next Century Growth Investors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

In this Item we are required to disclose material changes to our last annual update to this Brochure, which was the version dated March 31, 2021. We have no such material changes to report, but this annual update includes certain technical, stylistic or clarifying changes intended to enhance the overall Form ADV Part 2A.

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Item 4 Advisory Business

Next Century Growth Investors, LLC (“NCG”) was founded in November 1998 as an independent money management firm and has managed private and institutional accounts since January 1999. The two founding partners, Thomas L. Press, CFA, and Donald M. Longleat, CFA, managed assets together at a prior firm. Mr. Press is the firm’s principal owner. Mr. Longleat passed away in December 2014.

NCG offers its clients five investment products through separate accounts. NCG will work with clients to accommodate reasonable client-specific restrictions on any of our investment products. All these investment products focus on investing in companies NCG believes have substantial potential for high long-term growth. NCG seeks to identify the fastest growing and highest quality companies for investment through a fundamentals-based bottom-up approach.

In certain limited circumstances, NCG will offer its portfolios on a non-discretionary basis as “models.” Clients that elect to receive non-discretionary model portfolio services will generally receive changes to the model after NCG has placed the necessary orders in the relevant discretionary portfolios to implement such changes.

Micro Cap Growth

Invests primarily in the equity securities of micro cap companies (at time of purchase) that the portfolio manager believes have substantial potential for high long-term growth. The portfolio generally consists of 40 – 60 securities. Investment results are measured versus the Russell MicroCap® Growth and Russell 2000® Growth Index.

Small Cap Growth

Invests primarily in the equity securities of small companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio generally consists of 40 – 60 securities. Investment results are measured versus the Russell 2000® Growth Index.

SMID

Invests primarily in the equity securities of small and medium-sized companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio generally consists of 40 – 60 securities. Investment results are measured versus the Russell 2500™ Growth Index.

Large Cap Growth

Invests primarily in the equity securities of medium-sized to large companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio generally consists of 25 – 40 securities. Investment results are measured versus the Russell 1000® Growth Index.

Small/Micro

Invests primarily in the equity securities of small and micro-cap companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio generally consists of 40 – 60 securities. Investment results are measured versus the Russell 2000® Growth.

ESG Overlay

All of NCG's portfolios are managed in an ESG-aware (Environmental, Social, Governance) manner. NCG is a signatory to the United Nations' Principles for Responsible Investment initiative and follows the guidelines established in that initiative (for more information about the Principles for Responsible Investment, please go to www.unpri.org).

Client Assets Under Management

As of March 29, 2022, NCG had discretionary assets under management of approximately \$1,046,070,000 and an additional amount of approximately \$2,273,000 in assets under advisement on a non-discretionary basis.

Item 5 Fees and Compensation

NCG charges an advisory fee that is based on the fair market value of the portfolio assets that are under management, as described in each client's investment management agreement. The fees are payable quarterly, in arrears. NCG provides client fee invoices quarterly. Clients can choose to have fees deducted directly from their custodial accounts or to have us bill them directly.

The standard annual management fee schedule for institutional accounts is as follows:

Micro Cap Growth

1.00% on all assets

Small Cap Growth

1.00% on assets up to \$50 million
0.95% on the next \$50 million
0.75% on assets above \$100 million

SMID

1.00% on assets up to \$50 million
0.60% on the next \$50 million
0.45% on assets above \$100 million

Large Cap Growth

0.75% on assets up to \$50 million
0.65% on the next \$50 million
0.50% on assets above \$100 million

Small/Micro

1.00% on assets up to \$50 million
0.95% on the next \$50 million
0.75% on assets above \$100 Million

The standard annual management fee schedule for non-institutional accounts is as follows:

1.75% on assets up to \$1 million
1.50% assets in excess of \$1 million and up to and including \$10 million
1.00% assets in excess of \$10 million

NCG negotiates its fees in special circumstances. Some clients pay less than the standard fee schedule depending on certain factors, including but not limited to, the type and size of the account and the total amount of assets managed for a single client.

NCG acts as a sub-adviser with respect to certain client accounts. In such cases, NCG generally charges a negotiated annual management fee lower than the fees described above, which reflects NCG's status as a sub-adviser.

In addition to our advisory fees, clients will pay brokerage charges and custodial fees and also any taxes or other costs incidental to the purchase or sale of securities. Upon termination of an advisory agreement with NCG, the termination date will be used as the basis for determining the final charge for investment management services rendered. Fees will be prorated on a daily basis to the termination date and any earned but unpaid fees will be promptly billed to the client.

Please see Item 12 for a discussion of our brokerage practices.

Item 6 Performance-Based Fees and Side-by-Side Management

Historically, NCG has been willing to enter into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. NCG will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, NCG includes realized and unrealized capital gains and losses.

Performance-based fee arrangements may create an incentive for NCG to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts that use the same investment strategy but only charge an asset-based fee (known as "side-by-side management"). This incentive could cause an investment adviser to allocate the "best" investment opportunities only to the higher-fee account and the better-executed trades to the higher fee account. NCG has procedures addressing the allocation of investment opportunities and the execution of client trades that are designed and implemented to confirm that all clients are treated fairly and equally over time and that no client is systematically disadvantaged. Such procedures are generally described in Item 12 below. NCG also reviews the investment performance of any performance-based fee account against the performance of similar accounts that do not pay any performance-based compensation to identify and correct any differences that might be caused by such conflict of interest.

Item 7 Types of Clients

NCG provides portfolio management services to individuals, high net worth individuals, partnerships, corporations, corporate pension and profit-sharing plans, foundations, endowments, state or municipal government entities, registered mutual funds and private investment funds.

When we provide investment advice to clients regarding a retirement plan account or individual retirement account, NCG is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way NCG makes money creates some conflicts with the client's interests, so NCG operates under a special rule that requires the firm and its personnel to act in the client's best interest and not put our interest ahead of yours.

Under this special rule's provisions, NCG must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

The standard minimum account size for all institutional separate accounts is \$5 million; however, NCG may agree to manage separate accounts below our stated minimum account size. NCG does not have a minimum account size for individuals that establish a separate account.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Our philosophy is to invest in the highest quality, fastest growing companies in America. We seek to identify these companies through direct research. For the companies that go into our investment portfolios we seek the following characteristics:

- Strong revenue growth
- Large growing market opportunity
- Leadership position
- Control of distribution
- Strong management

NCG's portfolio managers perform all security analysis for the investment process. We build a portfolio that aims to participate in the fastest growing sectors in the economy. The key input to our research process is hundreds of direct meetings that our portfolio managers conduct each year with analysts, industry contacts and company management teams. We supplement this with financial data, news, and analysis from brokerages, independent research firms, and Factset.

The NCG sell discipline is an important aspect of our investment process. Stocks are generally sold when any of the following events occur:

- The company fails to meet our quarterly revenue and earnings expectations;
- The valuation becomes excessive in our opinion;
- The sector or industry begins to underperform or the growth begins to slow;
- Our research reveals a negative change in the company's growth rate, business model, or management team; or
- An individual holding exceeds 5% of the portfolio, which causes us to trim the position (12% limit in large cap strategy).

NCG's strategies involve active trading, which results in higher brokerage, transaction costs, and taxes, and can affect investment performance.

Investment Strategies

NCG manages advisory accounts using the investment strategies set forth in Item 4.

Other Securities; Registered Direct Offerings

On occasion, NCG receives information in connection with registered direct offerings. A registered direct offering is a public offering that is sold by a placement agent directly to a limited group of investors. Since the offering is registered with the Securities and Exchange Commission, the investors receive securities that are freely and publicly tradable and are not restricted like shares purchased in unregistered private placements. Issuers use registered direct offerings to raise capital without attracting the publicity associated with a fully-marketed public offering, which can sometimes result in speculative trading in the issuer's shares.

In a registered direct offering, the issuer does not disclose to the market that it is engaging in an offering of its shares, and so prospective purchasers who agree to receive information about the registered direct offering are typically restricted from trading in the issuer's shares until the offering is announced or terminated. At the time NCG elects to receive information about a registered direct offering, it generally does not know the identity of the issuer, or whether it holds the issuer's securities in its client accounts. If NCG elects to receive information, and NCG does hold the issuer's securities in its client accounts, NCG will not be able to trade in those securities until the trading restrictions expire. As a result, NCG may not be able to sell the securities in situations where it might otherwise have done so, e.g., the release of negative information about the issuer, or a steep decline in the issuer's share price, resulting in losses in the client accounts holding the securities.

In order to manage these risks, NCG will not accept information regarding any registered direct offering without inquiring, and receiving information, regarding the anticipated period during which NCG would be restricted from trading in the issuer's shares. NCG will not elect to receive information regarding a registered direct offering if it believes that the anticipated restricted period would involve undue risks to client accounts which might hold the issuer's securities. However, this determination requires a judgment on NCG's part, and while NCG will always exercise care in deciding whether to receive information regarding a direct public offering, NCG will not be able to eliminate the risks involved with any resulting trading restrictions. The actual length of the restricted period will also be outside of NCG's control and may be longer than the anticipated period communicated to NCG when it elects to accept information regarding the offering.

Material Risks of Investing in Securities

Investing in securities always involves the risk of loss that investors should understand and be prepared to bear. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly different outcomes. The material risks presented by our investment strategies are set forth below, but this section does not attempt to identify every risk, or to describe completely those risks it does identify.

Market Risk

The market values of the securities owned in the strategy may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

Risks of Investing in Smaller Companies

In the case of clients using strategies that invest all or in part in smaller companies, NCG will invest the account's assets in securities issued by smaller companies, including companies with very small capitalizations. Smaller companies may offer greater opportunities for capital appreciation than larger companies, but investments in smaller companies involve certain special risks. Smaller companies may have limited product lines, markets or financial resources and may be dependent on a limited management group. While the markets in securities of smaller companies have grown rapidly in recent years, such securities may trade less frequently and in smaller volume than more widely-held securities. The values of these securities may fluctuate more sharply than those of other securities, and NCG may experience some difficulty in establishing or closing out positions in these securities at prevailing market prices. There may be less publicly-available information about the issuers of these securities or less market interest in these securities than in the case of larger companies, and it may take a longer period of time for the prices of such securities to reflect the full value of their issuers' underlying earnings potential or assets.

Risks of Investing in Large Cap Companies

Stocks of large-cap companies tend to be less volatile than stocks of smaller companies. However, since many investors buy large-cap stocks for their anticipated earnings growth, earnings disappointments often result in sharp price declines. While large-cap companies often have greater resources to weather economic shifts than smaller companies, they may be slower to innovate and adapt to changing conditions than smaller companies.

Risks of Investing in Growth Companies

Stocks with growth characteristics can have sharp price declines as a result of earnings disappointments, even small ones. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends of value stocks that can help to cushion stock prices in a falling market.

Special Purpose Acquisition Companies

NCG may also make investments in special purpose acquisition companies ("SPACs") that look to raise funds through an initial public offering which are then used to effect a corporate acquisition or transaction. SPACs, which are initially public shell companies without operations or assets, involve additional risks such as the lack of a track record or other operating results to evaluate a prospective target investment. SPACs also face strong competition for investments, and often must

invest their capital on a compressed timeline specified in their governing documents. In many circumstances, SPACs are thinly traded and more volatile than many publicly traded companies. An investment in SPACs would expose our clients to these additional risks and could adversely impact their portfolio performance.

Concentrated Portfolio Risk

To the extent the strategies invest in a limited number of stocks, each strategy may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the strategy's performance.

Management Risk

There is the risk that NCG will not successfully execute the strategies even after applying its investment process. There can be no guarantee that NCG's decisions will produce the intended result, and there can be no assurance that an investment strategy will succeed.

Pandemic Risks

Disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment funds and portfolios and/or our business. For example, uncertainties regarding the novel Coronavirus (COVID-19) outbreak have resulted in serious economic disruptions across the globe. These types of outbreaks can be expected to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions lead to instability in the market place, including stock market losses and overall volatility, as has occurred in connection with COVID-19. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. We have in place business continuity plans reasonably designed to ensure that we maintain normal business operations and we periodically test those plans. However, in the event of a pandemic or an outbreak, there can be no assurance that we or our and our investment funds' and portfolios' service providers will be able to maintain normal business operations for an extended period of time or will not lose the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impacts of a pandemic or disease outbreaks are unknown, resulting in a high degree of uncertainty for potentially extended periods of time.

Cybersecurity Risk

As the use of technology and the Internet has become more prevalent in the course of business, NCG has become more susceptible to operational, financial and information security risks resulting from cyber security breaches or other cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events and include, but are not limited to, gaining unauthorized access to electronic systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets, sensitive information (e.g., personally identifiable information ("PII") or trading information), corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

Cyber incidents affecting NCG or, any its service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate account values, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. Similar adverse

consequences could result from cyber incidents involving counterparties with which NCG engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for NCG's clients) and other parties.

Although NCG has established internal risk management security protocols reasonably designed to prevent or detect, identify and respond to and recover from cybersecurity incidents, there are inherent limitations in such protocols including the possibility that certain threats and vulnerabilities have not been identified or made public due to the evolving nature of cybersecurity threats. As such, there is a possibility that NCG has not adequately prepared for or identified certain risks. Furthermore, although NCG conducts initial and ongoing due diligence of its third-party service providers, it cannot directly control any cyber security plans and systems put in place by such service providers.

Cyber security risks are also present for issuers of securities in which a client account invests, which could result in material adverse consequences for such issuers, and may cause a client account's investment in such securities to lose value.

Item 9 Disciplinary Information

NCG is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of NCG or the integrity of NCG's management. NCG has no information applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Strong Holdings, LLC (Strong) owns 20% of NCG and is a passive investor. NCG has no other arrangements or agreements with Strong.

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

NCG has adopted a Code of Ethics which sets forth the standards of business, fiduciary and ethical conduct we require of our employees. The Code requires NCG to conduct its business at all times consistent with its status as a fiduciary to its clients. This means NCG has affirmative duties of care, loyalty, honesty, and good faith in connection with all of its activities for its clients and must always act in the best interests of its clients. The Code requires employees to comply with all applicable federal securities laws, prohibits misuse of material non-public information and regulates personal securities trading by employees. The Code also sets forth NCG's policies related to the provision and acceptance of gifts and business entertainment. NCG employees are not permitted to accept gifts of more than nominal value and may only accept business entertainment that, among other things, is infrequent and neither lavish nor extravagant.

As a general matter, employees are not permitted to transact in individual issuer publicly traded securities and therefore do not trade in the same securities that are traded for client accounts. Employees are also not allowed to invest in initial public offerings (IPOs) and can only invest in

private placements with the prior approval of the Chief Compliance Officer. In some instances, employees have retained a third-party investment adviser to manage their investment accounts on a discretionary basis. Such accounts are not subject to the general prohibition against transacting in individual issuer publicly traded securities. To take advantage of this exception, employees must not directly or indirectly, direct, participate in or receive advance notification or advice of any transactions in securities purchased or sold for the accounts. The Code requires all employees, including those using third party investment managers, to periodically submit, and the Chief Compliance Officer to review, their securities holdings and transactions. Employees are required to report any violations of the Code to the Chief Compliance Officer. The Code also provides for a range of sanctions that will be applied to employees who violate the Code. Notwithstanding the foregoing, employees of NCG are allowed to establish accounts for NCG to manage *pari passu* alongside client accounts in the various portfolios.

NCG clients or prospective clients can obtain a free copy of NCG's Code of Ethics by contacting NCG at the address or telephone number provided on the cover page of this document.

NCG, from time to time, makes charitable contributions to not-for-profit clients. All such contributions are made consistent with any applicable client disclosure or other requirements and must be approved by NCG's Chief Executive Officer.

Item 12 Brokerage Practices

Selection of Brokers

It is NCG's policy to seek to obtain best execution on all trades for client accounts. In selecting a broker-dealer to execute securities transactions, NCG considers a variety of factors, including any combination of the following: price, commissions, execution capabilities, the broker-dealer's responsiveness, financial condition, ability and willingness to commit capital, ability to facilitate block trading and positioning, back office capabilities, ability to provide anonymity of transactions, ability to provide liquidity information and the value of the research (including third party research) and research services provided by the broker-dealer. Because NCG generally has discretion in selecting brokers to execute client account trades, it may be deemed to be recommending such brokers to clients.

Aggregation

It is the policy of NCG to seek to aggregate or bunch orders for the purchase or sale of the same security for multiple client accounts where NCG deems this to be appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. Such aggregation may be able to reduce commission costs or market impact on a per-share and per-dollar basis. The decision to aggregate is only made after NCG determines that: it does not intentionally favor any account over another; it does not systematically advantage or disadvantage any account; and NCG does not receive any additional compensation or remuneration solely as the result of the aggregation. When a bunched order is filled in its entirety on the same business day, each participating account will participate at the average share price for the bunched order, and transaction costs shall be shared pro rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated daily on a pro rata basis to each account participating in the bunched order based upon the amount requested for the account. Each participating account will receive the average share price, and bear a proportionate share of the transaction costs, with respect to purchases of the security made during

that day. NCG monitors these allocations to ensure that all clients are treated fairly and equitably over time.

Directed Brokerage

In limited instances, NCG will accept direction from clients as to which broker-dealers are to be used. Typically, the client has an arrangement with such broker-dealer which results in the client receiving some benefit from the broker-dealer in exchange for the directed brokerage. Any such direction must be in writing and accepted by NCG before it will be effective. It is NCG's policy generally to accept such direction to the extent it is consistent with NCG's ability to seek best execution. In these instances, NCG will include transactions for clients that have directed the use of a particular broker-dealer in NCG's bunched orders and then satisfy the brokerage direction using step-out transactions, subject to NCG's best execution obligations. In such transactions, NCG requests the executing broker-dealer (who may agree or decline) to transfer the settlement and clearing of the portion of the bunched order relating to the directed brokerage accounts to the particular directed broker-dealers who receive a portion of the commission. The executing broker does not receive a commission for that portion of the trade. NCG does not guarantee that any or all broker-dealers executing transactions for NCG's clients will agree to participate in these types of step-out arrangements, although currently it is NCG's experience that they do so. In the event NCG in the future is unable to use step out transactions in connection with particular brokerage directions, NCG will discuss with clients and have procedures in place that seek to ensure that all clients are treated fairly and equitably over time and that no client is systematically disadvantaged.

Subject to NCG's sole discretion, in rare instances NCG permits clients to direct brokerage to their broker-dealer custodian not subject to best execution. Any such direction must be in writing and accepted by NCG before it will be effective. Such clients should be aware that by directing brokerage in this fashion NCG may be unable to achieve most favorable execution of client transactions and this direction may cost clients more money. The following risks are related to this type of brokerage direction: the direction may result in higher commissions, greater spreads or less favorable net prices than would be the case if NCG selected the brokers; the direction generally will result in trades for the client's account not being aggregated with similar trades for other client accounts and thus will not be eligible for the benefits that accrue to such aggregation of orders; that as a result of not being aggregated, client transactions will generally be submitted after or near completion of the client accounts whose trades are aggregated and may receive less favorable prices; and that because of the direction, a client's account may not generate returns equal to those of other client accounts which do not direct brokerage.

With respect to retirement plan clients, in agreeing to satisfy such a client's directions to execute transactions for its account through a directed broker, NCG understands that it is such client's responsibility to ensure that (i) all services provided by the directed broker will inure solely to the benefit of the client's account and any beneficiaries of the account, and that all expenses paid are proper and permissible expenses of the account and may properly be provided in consideration for brokerage commissions or other remuneration paid to the directed broker, (ii) using the directed broker in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the directed broker, (iii) its directions will not conflict with any obligations that persons acting for the client's account may have to the accounts, its beneficiaries or any third parties, including any fiduciary obligations that persons acting for the account may have to obtain the most favorable price and execution for the account and its beneficiaries and (iv) persons acting for the client's account have the requisite

power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries of the account and third parties that may be required under applicable law or instruments governing the account.

Use of Client Commissions (“Soft Dollars”)

Subject to the criteria of Section 28(e) of the Securities Exchange Act of 1934, and the applicable regulatory guidance, NCG may pay a broker-dealer a brokerage commission in excess of that which the broker-dealer, or another broker-dealer, would have charged for effecting the same transactions, in recognition of the value of the research services provided by the broker-dealer. NCG believes it is important to its investment decision making processes to have access to independent research. The types of research and research services NCG received during its last fiscal year are as follows:

- economic and financial market analysis;
- real-time market data and analytics;
- access to databases and screening tools;
- proprietary and third-party research reports concerning securities, sectors, and industries; and
- meetings arranged with corporate or industry representatives.

In some cases, research services are generated by third parties but are provided to NCG by or through the broker-dealers with and through whom NCG effects client transactions. As a general matter, the research services NCG receives from broker-dealers are used to service all of NCG's accounts. However, while NCG expects that, over time, soft dollar benefits will benefit all clients fairly and equitably, any particular research service may not be used to service each and every client account, and may not benefit the particular accounts that generated the brokerage commissions. NCG does not try to allocate soft dollar benefits to client accounts proportionately to the soft dollar commissions the accounts generate. When NCG uses client brokerage commissions to obtain research or research services, NCG receives a benefit because we do not have to produce or pay for the research or research services. As a result, NCG may have an incentive to select a broker-dealer based on our interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. NCG has adopted and implemented policies and procedures, however, which address all aspects of its use of client commissions and require that such use be consistent with Section 28(e), provide lawful and appropriate assistance to us in the investment decision-making process, and that NCG determine that the value of the research or brokerage service obtained be reasonable in relation to the commissions paid.

If a research product or service that provides “lawful and appropriate assistance to the money manager in the performance of its investment decision-making responsibilities” is also used for functions which are unrelated to the making of investment decisions, such as accounting or record keeping, NCG will make a good faith allocation of the cost of the product or services based on its uses and pay for the non-research portions with its own “hard dollars.”

NCG participates in commission sharing arrangements and step-out transactions to receive eligible products and services. In commission sharing arrangements, NCG effects transactions, subject to best execution, through a broker and requests that the broker allocate a portion of the commission or commission credits to a segregated “research pool” maintained by the broker. NCG then directs such broker to pay for eligible products and services. Participating in commission sharing arrangements enables NCG to (1) strengthen its key brokerage relationships; (2) consolidate

payments for eligible research and research services; and (3) continue to receive a variety of high quality eligible research services while facilitating best execution in the trading process. See the Directed Brokerage section above for a description of step-out transactions.

In those instances in which NCG is directed to use a particular broker-dealer to execute securities transactions for an account, such account's commissions are not used to purchase research services but will nonetheless derive benefits from research services obtained from the brokerage for those clients of NCG that make no such direction, as research furnished by broker-dealers may be used to service any or all of NCG's clients and may be used in connection with accounts other than those making the payment to the broker-dealer providing the research, as permitted by Section 28(e).

NCG's Best Execution Committee is responsible for its procedures concerning the use of client commissions. It is responsible for approving any new soft dollar brokerage relationship and for reviewing all research and brokerage services annually to make a determination as to the reasonableness of the brokerage allocation as well as the price for such services versus the value received. Where necessary, the Best Execution Committee makes the good faith allocation between hard and soft dollars with respect to mixed-use services. For the last fiscal year, the Best Execution Committee set informal, non-binding soft dollar targets for each broker-dealer and reviewed and reconsidered the targets on a quarterly basis. The initial targets were based on the votes of NCG's portfolio managers. Such votes primarily reflected their assessment of the research provided by the broker-dealers.

NCG has informal arrangements with various broker-dealers whereby, in consideration for providing research services and subject to Section 28(e) of the Securities Exchange Act, NCG allocates brokerage to those firms, provided that the value of any research and brokerage services was reasonable in relationship to the amount of commission paid and subject to best execution. In no case will NCG make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer.

Trade Errors

On occasion, a mistake may occur in the execution of a trade. As a fiduciary, NCG owes clients duties of loyalty and trust, and as such must treat trade errors in a fair and equitable manner. Errors occur for a number of reasons, including human input error, systems error, communications error or incorrect application or understanding of a guideline or restriction. Examples of errors include, but are not limited to the following: buying securities not authorized for a client's account; buying or selling incorrect securities; buying or selling incorrect amounts of securities; and buying or selling in violation of a policy. In correcting trade errors, NCG does not: make the client account absorb any financial loss due to the trade error; use soft dollars or directed trades to fix the error; or attempt to fix the error using another client account. To the extent correction of an error by NCG results in a loss to the client's account, NCG reimburses the account. To the extent correction of the error results in a gain to the client's account, NCG allows the client to keep the benefit.

Oversight of Trading

NCG uses a variety of procedures in connection with the oversight of trading activities, including a daily review of execution prices against the daily volume weighted average price. On at least a quarterly basis, NCG's Best Execution Committee reviews NCG's trade management policies, brokers, commissions and other transaction costs, directed brokerage, soft dollars and any other matters that might be raised in connection with best execution.

Allocation of Investment Opportunities

It is NCG's policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to its other clients. There are instances when allocating investment opportunities among clients where some clients participate in certain opportunities made available to NCG while other clients may not. Where advisory accounts have competing interests in a limited investment opportunity, including participation in initial public offerings (IPOs), NCG will allocate investment opportunities based on numerous considerations, including cash availability and/or liquidity requirements, the time competing accounts have had funds available for investment or have had investments available for sale, investment objectives and restrictions, an account's participation in other opportunities, and relative size of portfolio holdings of the same or comparable securities. Such considerations result in the limited allocation being made available only to clients in one particular investment product. If NCG decides to invest in a given IPO for accounts managed in a particular investment product or products, all accounts managed in the relevant product(s) will be allocated shares in the IPO pro rata based on account size. Investing in IPOs is risky, and the prices of stock purchased in IPOs tend to fluctuate more widely than stocks of more established companies.

NCG makes recommendations and takes actions with respect to a particular client's account that may be the same as or may differ from the recommendations made or the timing or nature of action taken with respect to other client accounts. All such actions are based on NCG's assessment of what is best for the individual client account and no strategy or category of accounts is favored over others. For example, NCG will generally sell a security out of the accounts using the Small Cap strategy when the security reaches a market capitalization that NCG believes is not "small cap". Because the reason for the sale was not related to the investment merits of the security itself, NCG will sometimes then purchase the same security into the accounts using its SMID strategy, which has a higher market capitalization limit.

Item 13 Review of Accounts

NCG's portfolio managers receive and review daily and monthly reports concerning client accounts, including information on holdings, cash, portfolio characteristics, sector weights, and performance attribution. Client accounts are also monitored by our compliance department daily for consistency with client restrictions. No less often than quarterly, client accounts are compared to the weights in the investment product model.

NCG issues quarterly written reports to clients. These reports generally contain a list of securities, transactions, investment results and performance commentary. The information in our reports vary from custodial data based on accounting procedures, reporting dates, or valuation methodologies.

Item 14 Client Referrals and Other Compensation

Other than the use of soft dollars generated by client commissions that benefit NCG discussed in Item 12, NCG does not receive an economic benefit relating to its providing advisory services from anyone other than its clients. NCG does not currently have any arrangements pursuant to which it compensates third parties for client referrals. If NCG enters into any such arrangements in the future, it will structure them consistent with the applicable regulatory requirements, including that

any such third party solicitor provide a prospective client with a copy of this Form ADV Part 2A and a separate written disclosure statement describing the solicitor's arrangement with NCG at the time of the solicitation activities.

NCG has retained the services of a Danish company to assist the firm in soliciting institutional investors in certain non-US jurisdictions. NCG has agreed to pay this firm a percentage of the fees that any referred client pays to NCG.

Item 15 Custody

NCG has authority to debit fees directly from some of its client accounts. For this reason only, we are deemed to have constructive custody of the funds in those client accounts.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. NCG urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should contact NCG with any questions about their statements or if their custodian stops sending at least quarterly statements.

Item 16 Investment Discretion

NCG accepts discretionary authority to manage the assets in the client's account upon execution of the applicable investment management agreement with the client. We observe investment limitations and restrictions that are outlined in each account's investment management agreement.

Item 17 Voting Client Securities

If requested to do so by clients, NCG votes the shares owned by clients through a third-party proxy voting service, according to NCG's Proxy Voting Policies and Proxy Guidelines. The general principle of the Proxy Voting Policies is to vote any beneficial interest in an equity security prudently and solely in the best long-term economic interest of advisory clients and their beneficiaries considering all relevant factors and without undue influence from individuals or groups who have an economic interest in the outcome of a proxy vote. In applying this general principle, the Proxy Voting Policies classify proxy vote issues into three categories: routine corporate administrative items, special interest issues, and issues having the potential for major economic impact. Once each matter is analyzed and identified as belonging to a particular category, a vote is cast according to the philosophy and decision guidelines developed for that category.

For routine corporate administrative matters, NCG is generally willing to vote with management. With respect to special interest issues, NCG is generally opposed to special interest proposals that involve an economic cost to the corporation or that restrict the freedom of management to operate in the best interest of the corporation and its shareholders.

For issues having the potential for major economic impact, NCG is generally not willing to vote with management on proposals that have the potential for major economic impact on the corporation and the long-term value of its shares. Accordingly, certain matters in this category, such as corporate defensive strategies and business combinations or restructuring, will be analyzed on a case-by-case basis and NCG will make its decision based on whether it believes a particular proposal enhances long-term economic value for shareholders.

With respect to ERISA accounts, NCG acts prudently, solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them. It is NCG's policy to fully comply with all ERISA provisions regarding proxy voting for ERISA accounts, and to the extent possible, amend its policies and procedures from time-to-time to reflect the Department of Labor's views of the proxy voting duties and obligations imposed by ERISA with respect to ERISA accounts.

If NCG determines that it has a conflict in connection with a particular proxy vote, NCG will address the conflict by (1) adopting a policy of disclosing the conflict to clients and obtaining their consent before voting; (2) basing the proxy vote on pre-determined voting guidelines if the application of the guidelines to the matter presented to clients involved little discretion on the part of NCG; or (3) using the recommendations of an independent third party.

NCG will not vote proxies on client portfolio securities that the client has loaned to a borrower pursuant to any securities lending program in which the client may participate.

As a general matter, NCG will vote proxies in a client account consistent with its guidelines. If a client wishes to direct NCG how to vote on a particular matter, the client should contact NCG using the information set forth on page 1 for a discussion of that possibility.

NCG's Proxy Voting Policies and Proxy Guidelines are subject to the administration and oversight of the Proxy Voting Committee. The Proxy Voting Committee meets when necessary to discuss and determine the votes for issues that do not fall into one of the pre-defined categories, applying the general principle noted above. Subject to the oversight of the Proxy Voting Committee, an employee of NCG serves as the "Voting Delegate" in applying NCG's Proxy Voting Policies and Proxy Guidelines.

Clients can obtain a free copy of NCG's Proxy Voting Policies and Proxy Guidelines, and a record of votes cast with respect to their account, by contacting NCG at the address or telephone number provided on the cover page of this document.

Clients that have chosen to not have NCG vote their proxies should arrange with their transfer agent or custodian to receive such proxies directly from them.

Services Involving Legal Proceedings

As a general matter, NCG will not monitor, advise or act for a client in legal proceedings, including, without limitation, class actions and bankruptcies, involving securities purchased or held in client accounts. Clients should instruct their custodians to promptly forward any communications relating to legal proceedings involving such assets.

Item 18 Financial Information

NCG has no financial issues that are likely to impair its ability to meet its contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

Other Disclosure: ERISA Section 408(b)(2) Disclosure

Set forth below are certain disclosures responsive to the service provider disclosure requirements under Section 408(b)(2) of ERISA. NCG provides additional supplemental disclosures where required based on the nature of the client relationship.

Services

NCG provides investment management services to its clients, including ERISA clients. This Form ADV Part 2A, along with the existing investment management agreement between the ERISA client and NCG, address the scope of our services and limitations thereof, our fiduciary status, any conflicts of interest, and our compensation method and sources. Please see Item 4 "Advisory Business"; Item 8 "Methods of Analysis, Investment Strategies and Risk of Loss"; Item 13 "Review of Accounts"; and Item 17 "Voting Client Securities" in this Form ADV Part 2A for additional information.

Status

NCG is a SEC-registered investment adviser under the Investment Advisers Act of 1940, as amended. If a client's account managed by NCG is part of an "employee benefit plan" subject to ERISA, (a) assets of the client shall be deemed to refer to assets of such plan; (b) the client represents and warrants to NCG that the client is a "named fiduciary" of such plan; that it has authority under such plan to appoint an "investment manager"; and, that it has duly appointed NCG as such "investment manager"; and (c) NCG hereby acknowledges that it is, with respect to the performance of its agreed upon duties concerning the ERISA client's account, an "investment manager" and a "fiduciary" (as defined in Section 3(21) of ERISA).

Direct Compensation

Unless otherwise reflected in the investment management agreement between the ERISA client and NCG, the only source of direct compensation to NCG under the agreement shall be the fee paid to NCG by the ERISA client. The fee amount as stated in the agreement may be debited from the ERISA client account and paid to NCG, or may be paid directly to NCG by the ERISA plan. There may be additional fees incurred by the ERISA client for plan-related services that are not provided by NCG, including plan administration, professional services (namely, accounting and legal), and plan custody. The cost of any such other plan-related services(s) is not included as part of NCG's compensation.

Indirect Compensation

Unless the ERISA client has directed trades to a certain broker, NCG often selects a broker or dealer that furnishes NCG with research products or services, such as economic analysis and forecasts, financial market analysis and forecasts, access to databases and other services that assist in the investment decision-making process. These selections are not pursuant to an agreement or understanding with any of the brokers or dealers. NCG is not able to quantify the value of the soft dollar benefits to the ERISA client's account; however, the brokerage and research service received provides assistance to NCG in performing its investment decision-making responsibilities. Please

see Item 12 “Brokerage Practices” and Item 14 “Client Referrals and Other Compensation” in this Form ADV Part 2A for additional information.

Pursuant to NCG’s Code of Ethics, NCG employees may not accept any gift of more than nominal value from any broker-dealer, underwriter or placement agent that does business with or on behalf of any client, and employees may not accept any gift of more than nominal value from any vendor or service provider to NCG. Please see Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” in this Form ADV Part 2A for additional information.

Related Party Compensation

NCG does not have related party compensation.

Termination Fees

NCG does not charge an additional fee upon termination of the investment management agreement.

An ERISA client’s acceptance of services from NCG serves as an acknowledgement of its receipt of information responsive to the disclosure requirements of Section 408(b)(2) under ERISA reasonably in advance of the execution of the applicable investment management agreement.

Privacy Notice

Next Century Growth Investors, LLC respects your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you.

What we collect

In the course of establishing a client relationship and in our ongoing dealings with you as a client, we obtain nonpublic personal information about you. Personal information we collect includes information about you, such as your name, address, tax identification number and e-mail address. We also collect information about your transactions with us and with the service providers to your account.

Where we get the information

The personal information we collect about you comes primarily from the account opening documents you complete. We also receive information about you from other companies that provide services to you, such as your custodian.

To whom we disclose the information

We do not sell any nonpublic personal information about you or any of our former clients to any third parties. We do not disclose nonpublic personal information about you or any of our former clients to any other businesses for the purposes of marketing or business leads. We do not disclose any nonpublic personal information about you or any of our former clients, except as required or permitted by law.

We provide personal information to third party service providers when it is essential for the servicing of your account (namely, transactional services). We disclose such information to other third parties when it is necessary for the conduct of our business, where disclosure is required by

law, or where you have authorized or directed us to do so. Where appropriate, we will subject such disclosures to confidentiality agreements.

Protecting your confidential information

Your information is protected in various manners. To protect information about you, we restrict access to nonpublic personal information to those employees and authorized agents who need to know the information in order to provide services to you. All employees are subject to a policy regarding confidentiality. Employees who violate our privacy policy are subject to disciplinary process. In addition, our internal systems are secured through encryption technology, passwords and physical safeguards. We strive to maintain the confidentiality of your account and any other personal information.

If you have any questions about how we protect and safeguard your nonpublic personal information, please contact us at (763) 591-4490.