

Conestoga Capital Advisors, LLC

Part 2A of Form ADV

The Brochure

CrossPoint at Valley Forge
550 E. Swedesford Rd. Suite 120
Wayne, PA 19087
<https://www.conestogacapital.com>

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This brochure provides information about the qualifications and business practices of Conestoga Capital Advisors, LLC (“CCA”). If you have any questions about the contents of this brochure, please contact us at 484-654-1380. 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 CCA is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

CCA's last update to Part 2 of Form ADV was made in February 3, 2017. Since the time of that update, there have been no material changes in CCA's operations.

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Advisory Business

Conestoga Capital Advisors, LLC ("CCA") was founded in 2001 and is primarily owned by Robert M. Mitchell, Duane R. D'Orazio, Mark Clewett and Joe Monahan. CCA offers investment management services on a discretionary or non-discretionary basis to individuals and associated trusts, estates, and charitable organizations, pension and profit sharing plans, banks or thrift institutions, investment companies, and other corporations or business entities. Such services will be provided within the guidelines formulated by clients, in pursuit of investment objectives outlined by each client.

As of December 31, 2017 CCA managed \$2,730,260,052 on a discretionary basis on behalf of approximately 190 clients and approximately \$35,570,773 on a non-discretionary basis for 2 clients.

CCA also provides consulting services for the management of an unaffiliated mutual fund, including assistance in the development and implementation of the mutual fund's business strategy as well as evaluation and negotiations with outside vendors and government entities on behalf of the mutual fund. CCA does not provide investment advice to this mutual fund, and CCA will not recommend this mutual fund as an investment option for CCA's investment advisory clients.

CCA provides non-discretionary advisory services to certain institutional investment managers ("investment manager") through an investment model service, which includes but is not limited to:

- A list of holdings and each holdings appropriate weighting
- Access to the portfolio managers of the investment models via telephone, email or in person meetings.

Fees and Compensation

Investment management fees are based on a percentage of assets under management and are collected quarterly in advance. A client may elect to be invoiced for fees or have fees directly debited from the client's custodial accounts. Payments for invoiced fees are due within thirty (30) days of receipt of bill. The following rates are used to determine annual fees based on client assets at the time a new account is opened. The initial rate shall remain in effect unless specifically revised under the terms of the advisory agreement.

Equity Portfolios:

1.00% up to \$25,000,000
Negotiated over \$25,000,000

Fixed Income and Balanced Portfolios:

Negotiated

The fee shall be paid quarterly at the commencement of each calendar quarter, based on the value of assets as of the beginning of such quarter. The first billing shall be calculated on the market value of the assets at the close of business prior to the effective date of management. Should the time span be less than a calendar quarter, the fee will be prorated based on the actual number of days the account was managed by CCA. If assets added or subtracted to the account exceed 10% of the market value of the account before assets are added or subtracted, or if such a transaction exceeds \$50,000, whichever is greater, an adjustment will be made to reflect these additions or subtractions to the assets under management used for calculating the amount to be billed.

From time to time, CCA may enter into alternative fee arrangements, primarily with institutional clients that will be negotiated on a case-by-case basis. Certain managed accounts may request to be billed in arrears based on the value of assets at the close on the last day of the quarter or on the daily or monthly average asset value in accordance with the client's investment management

agreement. Additionally, CCA may provide investment advisory services for a fixed fee in limited circumstances.

The quarterly fees for the investment model services are based on the percentage asset allocation (the “Asset Allocation Percentage”), on the date as of which the fee is calculated, to CCA’s investment strategies selected by the investment manager and each client. The quarterly fee is paid in advance and is equal to the product of (i) the Asset Allocation Percentage, times (ii) the fair market value (determined by the investment manager) of the assets invested in each client account, valued on the date as of which the fee is calculated, times (iii) the percentages fee agreed to between CCA and investment manager.

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

There are no termination dates in CCA’s contracts. Either CCA or the client may terminate with thirty days written notice. The thirty day notice requirement may be waived or negotiated at CCA’s discretion. Any advisory fees paid in advance by clients that terminate intra-quarter will be refunded based on the number of days the account was open during the quarter.

CCA does not receive compensation for the sale of securities or other investment products. However, Mr. Clewett and Mr. Riggs are Registered Representatives of Foreside Financial Group, LLC and may recommend mutual funds that pay commissions (including 12(b)-1 fees, “trails”, or other compensation) from the product sponsor, CCA. CCA and Foreside Financial Group, LLC monitor Mr. Clewett’s and Mr. Rigg’s activities to mitigate any actual or potential conflicts of interest. CCA clients that are invested in the Conestoga Funds are not billed an additional advisory fee on the assets invested in the Conestoga Funds.

Performance Based Fees and Side-by-Side Management

CCA does not charge performance fees nor does it intend to in the immediate future.

Types of Clients

CCA primarily provides customized investment supervisory services to individuals and associated trusts, estates, and charitable organizations, pension and profit sharing plans, banks or thrift institutions, investment companies, and other corporations or business entities.

In addition, CCA provides sub-advisory services to a collective trust and separate account relationships. CCA may also provide sub-advisory services to registered investment companies.

CCA’s minimum account size is \$5,000,000; however, CCA reserves the right to accept accounts below \$5,000,000.

Methods of Analysis, Investment Strategies and Risk of Loss

CCA generally uses an investment process based upon fundamental business and credit analysis; capital structure and liquidation analysis, a review of all legal documentation surrounding an issuer's securities and identification of an investment catalyst.

In making its investment decisions, CCA will rely on internally generated research, derived from annual reports, prospectuses, filings with the SEC, corporate press releases, inspections of corporate activities, conversations with the firm and/or competitors, financial newspapers, magazines and other sources. CCA may also use research materials prepared by others in making an investment decision. During the research process, CCA makes an assessment of the quality of the security in question by examining among other things financial metrics of the relevant company, the integrity and strategic vision of the management team and the ability to execute such strategy, as well as the attractiveness and risks of the company's industry.

CCA reviews companies that meet its criteria, and if according to CCA's analysis a company has the potential to appreciate at least 100% over a three-to-five year period then CCA will make a decision to buy the security. Client portfolios are fully invested and diversified across industries. CCA will allow successful companies to grow while attempting to control portfolio risk and will remove companies that fail to meet CCA's expectations. Performing this combined qualitative and quantitative approach to stock selection encompass the majority of CCA's daily activity

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by CCA should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. CCA cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

Bankruptcy of a broker or custodian could causes excessive costs or loss of investor funds. If a broker with whom CCA has an account becomes insolvent or bankrupt, CCA may be unable to recover all or even a portion of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all or even a portion of the assets held by the custodian.

CCA may fail to identify successful companies. Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

Investing in small-cap companies entails unique risks. The value of small-cap company securities may be subject to wider price fluctuations and may be difficult or impossible to sell. Low trading volume in a company's securities means that CCA may have to sell holdings at a discount from quoted prices or make a series of small sales over an extended period of time. In addition, small-cap companies may generate less information on which to base investment decisions. Small-cap companies are often subject to risks related to lack the management experience, lack of financial

resources, reliance on a single product and the inability to compete with better capitalized companies with more experienced managers.

Disciplinary Information

CCA 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

CCA serves as the investment adviser to the Conestoga Small Cap Fund and Conestoga SMid Cap Fund each a diversified series of the Conestoga Funds, a registered investment company. As investment adviser, CCA receives an investment management fee from the Conestoga Funds. CCA clients that are invested in the Conestoga Funds are not billed an additional advisory fee on the assets invested in the Conestoga Funds. As discussed above, Mr. Clewett and Mr. Riggs are Registered Representatives of Foreside Financial, LLC and may recommend mutual funds that pay commissions (including 12(b)-1 fees, "trails", or other compensation) from CCA, the product sponsor. CCA and Foreside Financial Group, LLC monitor Mr. Clewett's and Mr. Riggs's activities to mitigate any actual or potential conflicts of interest.

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

CCA and related persons have a financial interest in the Conestoga Funds, which may be recommended to advisory clients. CCA may buy or sell for itself (or CCA's "Supervised Persons," including officers, directors, employees and other persons providing investment advice on behalf of CCA, may buy or sell for their own accounts) securities that are recommended to clients. CCA has adopted a policy for its Supervised Persons prohibiting transactions for their personal accounts in securities CCA intends to purchase or sell on behalf of clients on that same day. CCA reviews and retains copies of monthly statements and confirms of brokerage accounts maintained by Supervised Persons of CCA.

To avoid any potential conflicts of interest involving personal trades, CCA has adopted a Code of Ethics, which includes formal personal trading and insider trading policies and procedures. CCA's Code of Ethics requires, among other things, that Supervised Persons:

- place the interest of their clients first
- conduct all personal securities transactions in a manner consistent with the Code of Ethics
- avoid any actual or potential conflict of interest or any abuse of the individual's position of trust and responsibility
- adhere to the fundamental standard that employees should not take inappropriate advantage of their positions

CCA's personal trading policies require Supervised Persons to report personal securities transactions on at least a quarterly basis and provide CCA with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Supervised Person has a direct or indirect beneficial interest.

A copy of CCA's Code of Ethics shall be provided to any client or prospective client upon request.

Brokerage Practices

CCA is given trading authorization by its clients to purchase or sell certain types of securities, within specified limitations, as agreed upon from time to time with its clients. The broker-dealer to be used may or may not be specified by the client. Where the broker-dealer is the custodian, CCA may or may not execute a trade away from the broker. CCA will suggest broker-dealers and/or custodians to clients who request such recommendations. Clients have the final choice as to selection of both broker-dealer and custodian. In selecting or recommending broker-dealers, CCA does not consider client referrals received from broker-dealers.

CCA seeks to obtain the best net price and the most favorable execution of orders. Although CCA does not expect to use only one broker-dealer, CCA may, in its discretion, effect transactions in clients' securities with broker-dealers who provide supplemental investment research or other services ("soft dollars"), even though a lower commission may be charged by another broker-dealer who does not offer such supplemental investment research or other services. The term "soft dollars" refers to a means of paying brokerage firms for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through brokers by an investment manager on behalf of advisory clients. Section 28(e) of the Securities Exchange Act of 1934, as amended allows CCA to pay broker-dealers more than the lowest commission available in order to obtain research and brokerage services without breaching its fiduciary duties to clients or imposing a duty upon CCA to obtain the lowest commission if certain conditions are met and CCA makes a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage or research services on behalf of its advisory clients. The determination may be viewed in terms of either the particular transaction involved or the overall responsibilities of CCA with respect to the accounts over which it exercises investment discretion. In determining if something is research, thus falling within the safe harbor provisions, the controlling principle is whether it provides lawful and appropriate assistance to the money manager in the performance of its investment decision-making responsibilities.

These soft dollars include advice, either directly, or through publications or writings, as to the value of securities, and availability of securities or purchasers or sellers of securities; furnishing of analyses and reports concerning issuers, securities or industries; providing information on economic factors and trends; assisting in determining portfolio strategy; providing computer software used in securities analysis; and providing performance evaluation and technical market analysis; and providing quotation services from certain stock exchanges. During the last fiscal year, CCA received the following research products and services through soft dollar arrangements: FactSet Research Systems Inc., Furey Research Partners, Bloomberg L.P., and Elkins McSherry. FactSet is a leading provider of global financial and economic information, including fundamental financial data on tens of thousands of companies worldwide. Furey Research Partners offers integrated small cap strategy analysis. Bloomberg L.P provides a financial information platform, which includes, global financial data, equity trading platforms and portfolio analytical tools. Elkins McSherry provides TCA analysis services. CCA reviews

regularly the commission rates being paid on average to determine their reasonableness and reviews the research services received.

Soft dollar benefits furnished by broker-dealers through which CCA effects securities transactions may be used by CCA in servicing various clients, and not all such services will necessarily benefit all clients. Information so received will be in addition to and not in lieu of the services required to be performed by CCA and investment management fees are not reduced as a result of the receipt of such supplemental research information.

Research services received from broker-dealers are supplemental to CCA's own research effort and, when utilized, are subject to internal analysis before being incorporated by CCA into its investment process. Thus, a potential conflict of interest exists between the interest of CCA, who is receiving an economic benefit in the form of research services, and the interests of the clients whose accounts pay commissions.

The following factors, among others, may be considered when performing CCA's periodic and systematic evaluation of its brokerage arrangements and the execution quality of client trades. Factors: Liquidity of the securities traded, ability to place trades in difficult market environments, research services provided, client direction, execution facilitation services provided, infrequency and correction of trading errors, expertise as it relates to specific securities, ability to access as variety of market venues and business reputation.

If a client elects to direct brokerage to a specific broker-dealer, the client may pay a higher commission because the client cannot take advantage of blocked rates. In addition, in the event that the client directs CCA to use a particular broker-dealer, CCA may be unable, under those circumstances, to negotiate commissions, obtain volume discounts or best execution. In addition, under those circumstances, there may be disparity in commission charges between clients who direct CCA to use a particular broker-dealer and clients who give other directions.

When possible, CCA will make an effort to block trades if such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. The decision to block trades may influence the choice of broker-dealer and the effect those trades may have on commission rates. In many instances, the purchase or sale of investments for clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at CCA's sole discretion, and the client account may be charged or credited, as the case may be, with the average transaction price.

Prior to execution, CCA generally formulates allocations on trade tickets, except in cases where CCA unexpectedly learns of investment opportunities and completing such written allocations proves unreasonable. If the entire order is filled, Clients receive their portion pursuant to the initial allocation. In the event that an order is "partially filled," the allocation shall generally be made on a random basis, subject to all relevant factors, including, but not limited to, the size of

each Client's allocation, minimum ticket charges, Clients' liquidity needs and previous allocations. In most cases, accounts will get a pro-forma allocation based on the initial allocation. This policy also applies if an order is "over-filled," such as when a new issue designation is greater than CCA had initially allocated.

As it pertains to the allocation of Initial Public Offerings ("IPOs"), CCA uses the same random allocation policy as for partially filled orders. When CCA transacts in IPOs (or other limited investment opportunities) for Clients, CCA takes into account cash availability and need, suitability, investment objectives and guidelines, and other factors deemed appropriate in making investment allocation decisions.

Sensitive allocation issues arise when CCA is given the opportunity to participate in an offering that is expected to be over-subscribed, or to purchase a limited position in a security that might be appropriate for multiple Clients. Since hot issue premiums provide the potential of an immediate profit and since CCA may typically receive only a small portion of the allotments sought, CCA will exercise particular care in the allocation of these securities.

CCA maintains a trading error account whereby gains and losses resulting from certain client trading errors are netted against each other. It is CCA's policy that trading errors, when due to its employees' actions, must be corrected at no cost to clients.

Review of Accounts

All investment advisory accounts are reviewed by at least one of the following individuals: Robert M. Mitchell, Joseph F. Monahan, Derek Johnston, David M. Lawson or Duane R. D'Orazio, not less than quarterly. All such accounts are reviewed for their adherence to the firm's investment policies and strategies and specific security ownership, all within the context of specific client guidelines and objectives. Reviews may also be undertaken because of changes in market conditions, changes in investment policies and strategy and changes in securities positions.

Client assets are held in custody by qualified custodians selected by the client, usually a bank, brokerage firm, or trust company. Custodian statements are the primary source of information concerning activities in client accounts. The custodian and client determine the frequency of the distribution of these reports. Additionally, CCA provides clients with periodic, usually quarterly, portfolio evaluations including summaries of portfolio changes, income received, and additions and withdrawals from accounts. At client meetings, supplemental information is provided as may be requested by the client or which may be deemed relevant to the client at the time. Periodically, clients are also provided with reports on investment policy, or analyses of specific sectors of the capital market, or investment and economic trends.

Client Referrals and Other Compensation

As discussed under *Brokerage Practices*, CCA may receive soft dollar research services from broker-dealers used by CCA.

From time to time, CCA may compensate individuals, corporations or other entities for soliciting new separate accounts or proprietary mutual funds. Certain of CCA's employees who refer or help solicit investment advisory clients to CCA are compensated on the basis of a percentage of

the advisory fees paid by such referred clients to CCA. The arrangements have no effect on the gross fee charged to the client and will comply with all relevant Federal and state laws, including Rule 206(4)-3 under the Investment Advisers Act of 1940. At this time CCA does not have any client referral relationships with outside entities.

Custody

All clients' assets are held in custody by unaffiliated qualified custodians, either broker/dealers or banks. However, CCA can access many clients' accounts through its ability to debit advisory fees. For this reason CCA is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. In addition, a Managing Partner of CCA serves as trustee for certain clients, therefore CCA is considered to have custody of those client assets. The account custodians send statements directly to the account owners on at least a quarterly basis and these accounts are subject to an annual surprise verification by an independent public accountant.

Clients should carefully review custodian statements, and should compare these statements to any account information provided by CCA.

Investment Discretion

For accounts handled on a discretionary basis, CCA typically has the authority to determine the securities and the amount of securities to be bought and sold without obtaining client consent to specific transactions. All discretionary authority is limited to the client's account(s) managed by CCA and is evidenced by the limited power of attorney in the investment advisory agreement and the custodian's account application.

The Company is not obligated to acquire for any account any security that the Company or its officers, partners, members or employees may acquire for its or their own accounts or for the account of any other client, if in the absolute discretion of the Company, it is not practical or desirable to acquire a position in such security.

CCA's discretionary asset management clients will acquire securities which are the subject of the investment models prepared by CCA. CCA maintains internal procedures for ensuring that all clients are treated fairly. The following policies and procedures have been adopted by CCA with respect to the potential conflict that may arise between managing asset management client accounts and selling investment models to other investment managers.

1. CCA will, absent specific client restrictions, purchase for its discretionary asset management clients the securities that are included in the investment models provided to model service clients.
2. CCA will treat all model service clients fairly and equitably. The model / UMA program is a non-discretionary relationship and all related trades will go last in the trade rotation.
3. To ensure fair and equitable treatment between all model service clients, CCA has implemented a trade recommendation rotation process amongst the clients.
4. Noting that CCA's discretionary asset management clients may have restrictions placed on their accounts, it is possible that CCA may act on behalf of its discretionary asset

management clients in a contrary manner to the recommendations provided in the investment models.

Voting Client Securities

Among the services we provide is that we vote proxies on your behalf. CCA's Proxy Administrator is charged with identifying the proxies upon which CCA will vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly.

Our policy is to vote your proxies in the interest of maximizing shareholder value. To that end, CCA will vote in a way that it believes, consistent with its fiduciary duty, will cause the issue to increase the most or decline the least in value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

CCA uses Broadridge, a third-party proxy voting service provider, to assist in the proxy voting process. The Proxy Administrator will ensure that Broadridge receives proxy voting materials directly from the broker-dealers/custodians.

Absent specific client instructions, the Proxy Administrator votes client proxies through Broadridge according to the Glass Lewis recommendations.

If CCA's Proxy Administrator determines that he or that CCA is facing a material conflict of interest in voting your proxy (e.g., an employee of CCA may personally benefit if the proxy is voted in certain direction), our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for your review. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact CCA if you have any questions or if you would like to review either of these documents.

If "Class Action" documents are received by CCA for a private client (i.e., separate managed account), CCA will forward such documents to the client to enable the client to file the "Class Action" at the client's discretion. The decision of whether to participate in the recovery or opt-out may be a legal one that CCA is not qualified to make for the client. Therefore, CCA will not file "Class Actions" on behalf of any client. The decision to participate in the "Class Action" is entirely up to the client and the collection of information necessary to participate in the "Class Action" must be coordinated by the client.

If "Class Action" documents are received by CCA on behalf of the Conestoga Funds, CCA will ensure that the Fund either participate in, or opt out of, any class action settlements received. CCA will determine if it is in the best interest of the Fund to recover monies from a class action. The Portfolio Manager covering the company will determine the action to be taken when

receiving class action notices. In the event CCA opts out of a class action settlement, CCA will maintain documentation of any cost/benefit analysis to support its decision.

Financial Information

CCA does not require or solicit prepayment of client fees six months or more in advance.

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