

# The Baratelli Field Note

*Practitioner analysis for principals, family-office executives, and their advisors*

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*10,000 boomers exit per month. The next generation of owner-operators is being minted right now. Four buyer paths and the five mistakes that kill the deal.*

## The Search-Fund Decade.

*"People want to succeed, get married, have kids, build a business. That's our job." - the founder*

Ten thousand baby-boomer business owners are exiting their companies every month. They built profitable, durable, often boring businesses - HVAC, accounting practices, regional distribution, specialty contracting, niche manufacturing - and they need a buyer. Not a strategic consolidator who'll fold the company into a portfolio. Not a PE roll-up that'll cut the team in eighteen months. A buyer who'll show up Monday morning, learn the names of the truck drivers, and run the place.

That buyer is the search-fund operator, the ETA principal, the family-business successor, the individual buyer with a million in capital and the temperament to bet a decade on a single bet. The next decade - 2026 to 2035 - will mint a generation of these operators. The math is uncomplicated; the playbook is too.

### 1. The math: why this is the decade

The youngest baby boomer turns 62 in 2026. The oldest is 80. There are roughly 2.3 million U.S. businesses owned by boomers. Maybe 70% of them have an owner who would sell tomorrow if the right buyer walked in. That's 1.6 million businesses where the seller is motivated and the price-per-EBITDA is suppressed because the supply of sellers vastly exceeds the supply of qualified buyers.

The right buyer is not a Fortune 500 strategic. It's not a PE megafund. It's a single operator with \$250K-\$1.5M in personal capital, an SBA-7(a) loan, an ETA committee or a search-fund

LP base, and the appetite to spend the next ten years inside the business. The mismatch between the supply of these sellers and the supply of these buyers is the largest pricing inefficiency in the U.S. small-business economy.

## 2. The four paths

### Path 1 - Traditional search fund.

Raise \$400-600K of search capital from 10-25 LPs. Spend 18-24 months sourcing, paying yourself \$80-120K through the search. When you find a deal, close at 4-6x EBITDA on a \$1-3M EBITDA business. LPs get a stepped-up share class plus their pro-rata; the operator gets 25-30% of equity if MOIC hurdles hit. Roughly 40% of search funds reach a transaction; of those that do, median operator IRR is meaningfully positive.

### Path 2 - Self-funded ETA.

Don't raise search capital. Self-fund the search period out of savings or part-time consulting income, target a smaller deal (\$500K-\$1.5M EBITDA), structure with maximum SBA-7(a) leverage and seller financing, end up owning 70-90% of equity. More personal risk during the search and at close, but you keep most of the equity. The ETA association in 2026 is roughly 3,000 active principals; most are doing it self-funded.

### Path 3 - Sponsor-backed search.

A single PE shop or family office writes the search check and commits to fund the acquisition. Target a larger deal (\$3-15M EBITDA), close at higher multiples (5-8x EBITDA), but give up most of the upside in exchange for a more institutional process. Operator typically owns 10-20% of equity. The largest sponsors now back 5-15 searchers at a time.

### Path 4 - Internal succession.

You're the next-generation family member, the long-term key employee, or the controller who's been there fifteen years. The seller wants the company to stay with someone who knows it. Structure with seller financing in the 50-70% of purchase-price range, often with §6166 estate-tax deferral if the seller is using the sale to fund their estate plan. The closing is friendlier; the operating handoff is cleaner. The post-close emotional management of the founder-now-creditor is the harder problem.

## 3. The five mistakes that kill the deal

**Buying the wrong business.** Recurring revenue, real customer concentration risk, and seller-dependent operations are killers - even at attractive multiples. The first six months of the search should be ruthlessly filtering on the BUSINESS, not on the price.

**Underestimating the working-capital peg.** The seller's net-working-capital number in the LOI is the seller's. The buyer needs to compute their own from twelve months of monthly balance sheets, then negotiate from that. A peg miscalculation of \$400K is common; on a \$4M EV deal that's 10% of equity.

**Letting the seller carry too little.** Seller financing of 25-50% of purchase price aligns the seller's incentives through the transition. A deal where the seller takes 100% cash at close and walks away is a deal where the seller doesn't believe in the future of the business under your ownership.

**Not budgeting the QofE properly.** A \$25K-\$60K Quality of Earnings is non-negotiable. The deals that explode 90 days post-close are the deals where someone tried to skip it.

**Closing without a 100-day plan.** The first 100 days are when the team decides whether to stay. The first hire you can't make is the controller you didn't budget for. The first conversation you can't have is the one with the operations manager who knows where the bodies are buried. Plan it before close, not after.

#### 4. Why this is also a life decision

The search-fund operator is signing up for a decade. Not 18 months at a brand-name bank, not 4 years pre-MBA. A decade of owning a \$3M-EBITDA company, paying down SBA debt for ten years, building a team that probably already has a sense of how the place runs, and discovering whether you're built for the operator seat.

Some people are. Some people thought they were and find out they're not. The search itself - 18-24 months of cold outreach, broker conversations, and dead deals - is a pretty good filter. The people who survive the search and still want to close are usually the ones who should be operating.

*If you're considering it: read the Business Buyer's Guide first, then talk to three sitting search-fund operators (not the famous ones - the boring ones who closed two years ago and are running the company). The boring ones will tell you the truth about what the work is actually like.*

#### 5. The move this week

**If you're considering becoming a searcher:** build the financial-readiness model. How much personal capital can you commit. How much SBA-7(a) leverage can you take. What's your zero-income runway through the search period. Write it on one page.

**If you're an advisor with a client considering it:** send them the Business Buyer's Guide and the Search-Fund Decade summary above. The next two conversations they have should be about the BUSINESS they want to own, not the deal mechanics.

**If you're a boomer thinking about selling in the next five years:** read the Liquidity Event Playbook from the seller side. The questions a search-fund buyer will ask you in twelve months are the same questions you'll be glad you started thinking about today.

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## From the catalog

**Business Buyer's Guide** - the reference for the search-fund operator and the ETA principal. Sourcing channels, SBA-7(a) underwriting, working-capital peg from the buyer side, post-close 100-day plan.

**Liquidity Event Playbook** - read this from the seller's side too; the boomer you're buying from may be reading this guide. Knowing what they know is leverage.

**The PE Guide** - when the search becomes an operating company, eventually you'll think like a sponsor. Roll-up math, add-on mechanics, the 100-day plan at scale.

**CFO & Controller's Reference Guide** - the reference for the second-year CFO of the company you bought. Three-statement modeling, capital allocation, KPI dashboards, debt covenants.

All at [baratelliinstitute.com](http://baratelliinstitute.com).

**If this Field Note was useful:** the *Business Buyer's Guide* and the *Liquidity Event Playbook* together cover both sides of the boomer-exit transaction. At [baratelliinstitute.com](http://baratelliinstitute.com).

Until next time -

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