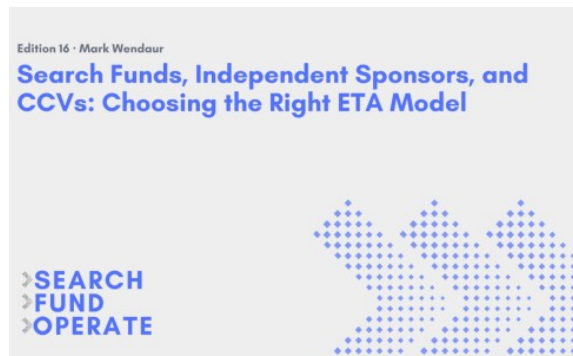


Search Funds, Independent Sponsors, and CCVs: Choosing the Right ETA Model

July 21, 2026



Entrepreneurship through acquisition has moved well beyond the traditional search fund. Today, ETA buyers can pursue small business acquisitions through several different capital models, each with different implications for fundraising, governance, control, and post-close operations.

For emerging searchers, search fund entrepreneurs, and acquisition-minded operators, that creates both opportunity and confusion.

The same target company may attract interest from a traditional searcher, a self-funded buyer, an independent sponsor, a committed capital vehicle, a family office, or a holding company. Each buyer may describe itself as part of the ETA ecosystem. But each model raises acquisition capital differently, allocates economics differently, and creates different expectations around governance, speed, control, and post-close operations.

That matters because the structure you choose does more than affect fundraising. It affects:

- how sellers view you
- how lenders underwrite you
- how investors control decisions
- how much equity you may own after closing, and
- whether your structure works for one acquisition or a multi-acquisition platform

For most emerging searchers, the first structure does not need to solve every future problem.

It needs to fit the buyer's current stage, capital access, risk tolerance, and first acquisition strategy.

That distinction matters. A buyer may eventually want to build a roll-up, raise committed capital, or create a long-duration holding company. Those goals can inform the strategy, but they should not automatically dictate the structure for acquisition number one.

Overbuilding the structure too early can create unnecessary legal expense, investor complexity, governance friction, and fundraising burden before the buyer has proven the core thesis. It can also push the searcher into a model that requires capabilities the buyer has not yet developed.

In many cases, the better approach is to choose the simplest structure that supports the first credible acquisition while preserving room to evolve. A searcher who has not yet operated one business usually benefits more from building the foundational operator skills than from designing a vehicle for acquisition number five.

The question is not only, “Where do I want to be in five years?”

It is also, “What structure gives me the best chance to close and operate the first deal well?”

The ETA Market Is Becoming More Fragmented

Traditional search funds remain the most recognized and studied model. They have a long track record, a familiar investor base, and a relatively standardized playbook. For many first-time searchers, they remain the cleanest path into ETA.

But they are no longer the only serious option.

Self-funded search has become increasingly common, particularly among buyers who want more control, more ownership, and the ability to pursue small business acquisitions using SBA financing or smaller investor syndicates. Independent sponsors have also become one of the most active buyer categories in the lower middle market M&A ecosystem, especially for experienced operators and executives with investor relationships.

Family offices continue to deploy more direct capital into private companies, sometimes backing searchers and sometimes acquiring companies directly.

At the same time, committed capital vehicles and long-duration holdcos have become more visible. These structures are not entirely new, but their use within the ETA ecosystem appears to be accelerating. They reflect a shift from the classic idea of buying one company toward a broader effort to build repeatable acquisition infrastructure.

That is the key development.

ETA is no longer a single path. It is a group of related acquisition models that sit along a spectrum between individual entrepreneurship, lower middle market M&A, family office direct investing, and institutional private equity.

Traditional Search Funds

The traditional search fund is still the baseline model for many emerging searchers and search fund entrepreneurs.

In a traditional search fund, investors provide capital to fund the search phase. The searcher uses that capital to source, evaluate, and negotiate the acquisition of a single target company. Once a target is identified, the same investor group typically has the right to participate in the acquisition financing. After closing, the searcher usually becomes the CEO or operating leader of the acquired business.

This model works particularly well for first-time buyers who want structure, mentorship, and investor support. Many traditional search investors have seen dozens of transactions and can help a searcher evaluate industries, negotiate LOIs, manage acquisition diligence, structure financing, and prepare for post-close operations.

The benefit is credibility and support.

The tradeoff is control.

Traditional searchers usually have investors deeply involved from the beginning. Those investors may have approval rights over the acquisition, the financing, the governance structure, major post-close decisions, and the searcher's ongoing role. That involvement can be valuable, especially for a first-time operator, but it also means the searcher is not operating independently.

Economically, traditional search funds usually give the searcher meaningful upside if the acquisition closes and performs well. The searcher typically receives a salary during the search phase, then earns equity through a combination of closing, time-based vesting, and performance-based vesting. While structures vary, many traditional search economics are designed to give the searcher a meaningful minority ownership position over time rather than majority control.

The model is best understood as an apprenticeship into ownership.

It is often a strong fit for a searcher who wants to buy and operate one good company with investor backing, guidance, and a known playbook.

It may become less efficient if the searcher's goal is to pursue serial acquisitions, build a multi-company platform, or retain more control over long-term capital allocation.

Self-Funded Search

Self-funded search is different in both psychology and economics, and it has become one of the most discussed alternatives to the traditional search fund.

In a self-funded search, the buyer does not raise a formal search fund at the outset. Instead, the buyer funds the search personally or with limited outside support. Once the buyer identifies a target, the buyer raises capital for that specific transaction. In many small business acquisition strategies, SBA financing plays a central role.

This model appeals to buyers who want more autonomy.

A self-funded searcher usually has more freedom to define the target profile, negotiate directly with the seller, select investors later, and structure the deal around the specific opportunity. The model can also allow the buyer to retain substantially more equity than a traditional searcher, particularly in smaller transactions where debt financing (usually in the form of a SBA loan) covers a large portion of the purchase price.

That ownership upside is one of the main attractions.

But the model also places more risk on the buyer.

Self-funded searchers often pay search expenses themselves. They may sign personal guarantees, especially in SBA-financed transactions. They may have fewer institutional resources during diligence. They may also have a thinner advisory network unless they intentionally build one.

The economics can be attractive, but they are less standardized. The buyer may retain a large common equity stake, raise preferred equity from a small group of investors, and personally guarantee a portion of the acquisition debt. In a successful transaction, that can create better ownership economics than a traditional search fund. In a difficult transaction, it can create greater personal exposure.

Self-funded search is often well suited for smaller acquisitions, local service businesses, business services companies, light industrial businesses, trades, healthcare services, and other lower middle market companies where SBA financing and hands-on operation can support the acquisition.

The model is strongest when the buyer wants to own and operate a business with meaningful personal control.

It becomes harder when the buyer wants to pursue larger targets, institutional equity, multiple add-on acquisitions, or a more formal acquisition platform.

Independent Sponsors

The independent sponsor model sits closer to private equity than traditional search and has become an important part of the lower middle market acquisition landscape.

An independent sponsor typically sources a deal first, signs or negotiates the LOI, conducts diligence, and then raises equity for that specific acquisition. Unlike a committed fund or committed capital vehicle, the independent sponsor usually does not have fully committed capital available before the transaction is identified.

This model works best for people with prior operating, investing, industry, or transaction experience.

The independent sponsor must persuade three groups at once: the seller, the lender, and the equity investors. The seller wants confidence the buyer can close. The lender wants confidence in the sponsor, the capital stack, and the operating plan. The investors want confidence that the sponsor found a good deal and can manage it after closing.

The model provides flexibility. The sponsor can choose different investors for different deals, customize governance, structure economics around the specific acquisition, and pursue opportunities that do not fit a traditional search fund profile.

But the main weakness is capital certainty.

Because the sponsor often raises equity after signing the LOI, sellers and intermediaries may worry about whether the buyer can actually close. That concern becomes more significant in competitive processes or situations where the seller wants speed and certainty.

Economically, independent sponsor structures often include a mix of transaction fees, direct equity, management fees, and carried interest or promote. A sponsor might receive a closing fee, a minority equity position, and a promote above a preferred return to investors. The precise terms vary widely because independent sponsor economics are negotiated deal by deal.

That variability is both a strength and a weakness.

It gives the sponsor flexibility, but it also means the sponsor must negotiate economics repeatedly. If the sponsor lacks a strong investor base, the economics can compress quickly.

The independent sponsor model is often a strong fit for a more experienced buyer who has deal access, sector knowledge, and investor relationships, but does not yet have a committed capital vehicle or fund.

Committed Capital Vehicles

Committed capital vehicles, or CCVs, are becoming increasingly relevant in ETA, especially for searchers and operators who want to move from one-off acquisitions toward a repeatable acquisition platform.

A CCV generally refers to a structure where investors commit acquisition capital before a specific acquisition is identified or before a series of acquisitions is completed. The vehicle may be designed to acquire one platform company, pursue multiple acquisitions, or build a long-duration holding company.

The basic appeal is straightforward: capital certainty.

A buyer with committed capital can often move faster than a buyer who must raise equity after signing an LOI. That matters to sellers, lenders, brokers, and investment bankers. It also matters in fragmented industries where add-on acquisitions may become part of the strategy.

This is why CCVs are gaining attention among more sophisticated searchers, acquisition entrepreneurs, independent

sponsors, and operators.

They are not simply trying to buy one company. They are trying to create a structure that can support multiple acquisitions, longer hold periods, and more repeatable capital deployment.

The economic terms of CCVs usually look more like a small private equity or holding company structure than a classic search fund. The buyer often becomes an operator-sponsor and may receive management company economics, carried interest, direct co-investment rights, transaction-related fees, or long-term incentive economics tied to the performance of the vehicle.

Investors may receive a preferred return, priority distributions, approval rights over major decisions, and protections around leverage, concentration, conflicts, related-party transactions, and sponsor removal. In many CCVs, the sponsor's upside comes primarily through carry or promote after investors receive agreed economic thresholds.

The model can create meaningful upside for a sponsor who builds a durable platform.

But it also increases complexity.

The sponsor is no longer just a searcher or operating CEO. The sponsor becomes a capital allocator, investor relations manager, acquisition strategist, governance manager, and platform builder.

That is a different job.

For emerging searchers, this distinction matters. A CCV may sound attractive because it offers more capital certainty and a more scalable structure. But it also requires a more developed investment thesis, stronger investor relationships, better governance design, and a clearer plan for how capital will be deployed.

A CCV is usually more appropriate when the buyer has a repeatable acquisition thesis, a credible capital partner, a reason to pursue more than one acquisition, and the experience or support needed to manage a more institutional structure.

It is usually less appropriate for someone who simply wants to buy one small business and operate it directly.

Long-Duration Holdcos

Long-duration holdcos overlap with CCVs but are not always identical.

A holdco is usually designed to own operating companies over a long period of time. Instead of buying one company with the expectation of selling it in five to seven years, the holdco may be built around long-term compounding, cash flow reinvestment, and permanent or semi-permanent ownership.

This model has become increasingly attractive to investors and operators who dislike the forced exit pressure of traditional private equity.

For sellers, the holdco model can also be attractive. Founder-owned businesses often care about what happens after closing. They may prefer a buyer who plans to hold the business, retain employees, preserve culture, and invest in long-term operations.

Economically, holdco structures can vary substantially. Some resemble private equity funds with preferred returns and sponsor carry. Others give the sponsor direct equity in the holding company. Some include management fees or shared services fees. Others rely more heavily on long-term equity appreciation.

The central economic question is how value gets allocated between the capital providers and the operator-sponsor building

the platform.

That question can become complicated because the sponsor may be doing several things at once: sourcing acquisitions, managing executives, building systems, allocating capital, and creating the broader platform value.

Holdcos can be powerful structures when the sponsor has a long-term vision and a patient investor base.

They can also become difficult if investors want liquidity sooner than expected, if governance is unclear, or if the sponsor lacks the operational infrastructure needed to manage multiple companies.

Family Office Direct Acquisition Models

Family offices play several roles in the ETA ecosystem and broader lower middle market M&A market.

Some invest in traditional search funds. Some back self-funded searchers. Some provide equity to independent sponsors. Some anchor CCVs or holdcos. Others acquire privately held companies directly.

This makes family office capital both important and hard to categorize.

In direct acquisition models, a family office may use its own balance sheet or investment vehicle to acquire a privately held company. It may install an operator, partner with a searcher, back an industry executive, or manage the company through an internal team.

The main advantage is patient capital.

Many family offices do not face the same exit pressure as private equity funds. They may be willing to hold a business for a longer period, prioritize cash flow, and structure a transaction around seller concerns, employee continuity, and long-term stewardship.

But family offices vary dramatically.

Some are highly institutional, with formal investment committees, detailed diligence processes, and experienced deal teams. Others are relationship-driven, informal, and dependent on a small number of family decision-makers.

That variation affects everything: speed, governance, reporting, decision-making, and post-close expectations.

Economically, operators working with family offices may receive salary, bonus, direct equity, phantom equity, profit participation, or equity vesting tied to long-term performance. The terms depend heavily on whether the operator is functioning as an employee, partner, sponsor, or acquisition entrepreneur.

For emerging searchers, family office backing can be valuable, but it requires clarity. The searcher should understand whether the family office expects control, what decisions require approval, how future acquisitions will be funded, how economics vest, and whether the searcher is building personal ownership or merely operating a family-owned asset.

Comparing the Models

The models differ less by label than by what they are built to accomplish.

A traditional search fund is designed to help a searcher find, acquire, and operate one company with investor support.

A self-funded search is designed to give the buyer more control and potentially more ownership, usually in a smaller

transaction with more personal risk.

An independent sponsor model is designed to let an experienced buyer pursue deals without a committed fund, but it requires the sponsor to raise capital transaction by transaction.

A CCV is designed to provide more capital certainty and support a broader acquisition strategy.

A holdco is designed for long-duration ownership and compounding across one or more operating businesses.

A family office model depends on the family office itself, but often emphasizes patient capital, direct ownership, and flexibility.

The right model depends on the buyer's objective.

If the goal is to buy one strong business and become CEO, a traditional search fund or self-funded search may be the better fit.

If the goal is to pursue larger or more complex deals with customized capital, the independent sponsor model may fit.

If the goal is to build a repeatable acquisition platform, a CCV or holdco may make more sense.

If the goal is to partner with patient capital and operate over a longer horizon, family office backing may be attractive.

Economic Terms Matter Because They Shape Behavior

Emerging searchers often focus on headline ownership percentage.

That is understandable, but incomplete.

The more important question is how the economic structure shapes behavior after closing.

A buyer with too little equity may lose motivation. Investors with too much control may slow decisions. A sponsor with carry but no real capital at risk may create alignment concerns. A structure with no liquidity path may create investor tension. A self-funded searcher with too much personal guarantee exposure may become overly conservative after closing.

The economics are not just financial terms.

They are governance terms. We've discussed the importance of negotiating a governance structure in prior editions of Search Fund Operate. These terms influence who makes decisions, who bears risk, who receives upside, and how the company responds when post-close reality differs from the acquisition model.

This is why vehicle selection matters before the LOI. By the time a buyer is under LOI, the structure has already started shaping the deal.

A Practical Way to Think About Model Selection

For an emerging searcher, the best starting point is not the structure. It is the strategy.

If you want mentorship, institutional backing, and a proven path into operating one business, traditional search remains highly relevant.

If you want control, ownership concentration, and are comfortable with personal risk, self-funded search may fit.

If you have deal experience and investor relationships but no committed fund, independent sponsor may be viable.

If you want to pursue multiple acquisitions under a repeatable thesis, a CCV or holdco may be appropriate.

If you have access to a family office that understands your operating thesis, family office backing may provide patient and flexible capital.

The mistake is choosing the model because it sounds more sophisticated.

The better approach is to choose the model that matches the buyer's actual capabilities, capital relationships, risk tolerance, and acquisition plan.

ETA has become more institutionalized, but the core issue remains simple.

The buyer has to close the deal, operate the company, and live with the acquisition structure after closing.

That is where the differences between these models become real.