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### DEALS & DEAL MAKERS

**Bidder Emerges for Borders Bookstores**  
As a Potential Liquidation Looms, Gores Group Comes Forward, Interested in About 200 of 405 Stores

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By MIKE SPECTOR And JEFFREY A. TRACHTENBERG  
June 2, 2011

Private-equity firm Gores Group is in discussions to purchase more than half of Borders Group Inc.'s remaining stores out of bankruptcy, said people familiar with the matter, in a deal that would keep the bookstore chain operating as a going concern.

Borders, which filed for Chapter 11 bankruptcy protection in February, has been soliciting offers for the company amid mounting losses and tense discussions with publishers that ship books to the chain.

Gores, based in Los Angeles, is known as a distressed investor, scooping up stakes in ailing companies and trying to rehabilitate them. It currently owns stakes in companies ranging from radio operator Westwood One to Alliance Entertainment, a wholesale distributor of CDs and DVDs.

Other suitors, whose identities couldn't be learned, are also in discussions with Borders, these people said. Interest in Borders has picked up since Liberty Media Corp.'s recent bid for [Barnes & Noble](#), BKS -0.61% which valued that chain at roughly \$1 billion, one of the people said.

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**The Mystery Bidder for Borders: Meet Alec Gores**

Gores is in discussions to buy more than 200 of Borders' 405 remaining stores, the people said. The stores and other assets could fetch roughly \$200 million or so, the people said.

Operating fewer stores would enable Gores Group to better control their risk, and could also enable them to focus more attention to online commerce, according to one person familiar with the situation.

The people cautioned the talks remain fluid and could fall apart.

Spokespeople for Borders and Gores declined to comment.

Alec Gores, who runs the firm, joined forces with brother Tom Gores, head of private-equity firm Platinum Equity, to buy Alliance. The pair have also made runs at film-studio Miramax.

Mr. Gores is worth more than \$1.6 billion, according to Forbes. Gores Group in February disclosed it raised \$2 billion for a new fund earmarked for buying companies in variety of sectors, including telecommunications and healthcare.

The Gores brothers reportedly have ambitions to assemble their own entertainment conglomerate. A third brother, Sam Gores, leads Hollywood talent agency Paradigm. Sam has served as a consultant to his siblings in their forays into the entertainment business.

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Borders has been trying to develop a reorganization plan and emerge from bankruptcy protection by summer's end. But some publishers have balked at its business plan, and have been effectively demanding cash in advance for new books, a departure from normal trade terms in which the company pays months later for goods received. Borders owes large publishers about \$182 million.

Borders' sales process is "at its most sensitive stage," the company disclosed in recent court papers. Borders has asked a judge to give it more time to maintain exclusive control over developing a reorganization plan during bankruptcy proceedings.

Publishers and other creditors have asked for permission to propose their own reorganization plan, through an official creditors committee. The creditors committee recently noted in court papers that Borders has so far failed to file a reorganization plan and propose a solid buyout offer for the chain. A bankruptcy-court hearing on Borders's request for more time is set for Thursday.

For Borders, time is running out to find a buyer and avoid possible liquidation. Borders has so far closed 226 stores, but the chain lost \$132 million in April.

—Shira Ovide contributed to this article.

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