

In Family Affair, Platinum Equity And Gores Group Close First Combined Deal

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How many Gores brothers does it take to close a deal? For the one just struck by Platinum Equity LLC and Gores Group LLC, the answer would be all of them.

Platinum, founded by Tom Gores, and Gores, founded by Alec Gores, teamed up to acquire entertainment distributor Alliance Entertainment LLC from its parent company, Source Interlink Co.

It is the first investment that Tom and Alec Gores have closed together. They courted Miramax Films this year, but that company was sold to a group including Colony Capital LLC. The two couldn't have made this deal, however, without some help from their brother, Sam Gores.

While Tom and Alec Gores have been well-chronicled in their private equity endeavors, Sam Gores has been heading up entertainment agency Paradigm—a third leg to the stool that was rather instrumental in uncovering the Alliance deal. The two firms had been working together with Paradigm to evaluate investment opportunities in the sector, and the Alliance deal had emerged through the course of that collaboration, according to a Platinum spokesman.

Gores declined to comment beyond a statement.

All parties declined to disclose deal specifics. The official process began in January, when the deal came to Source Interlink. The company hadn't actually been looking to divest Alliance, which distributes CDs, DVD and videogames to retailers including Barnes & Noble, Borders and Amazon.com. It also provides e-commerce technology and fulfillment services.

Alliance, with roughly \$750 million in annual revenue, engaged in a sales process that entailed "lots of bumps in the road," according to Michael Rigby, Alliance's group vice president of business development.

"Both [firms] were independently interested, then as the path was journeyed down, they decided to combine forces," he said. "There were hiccups, with a lot of moving forward, moving back, but...Platinum and Gores were adamant they were going to overcome those obstacles. The persistence and desire was there."

Alliance had comprised roughly half of Source Interlink's business. Source Interlink has wholesale magazine distribution operations, and also publishes magazines and websites under brands like Motor Trend, Hot Rod, Automotive.com and Surfer.

While CD sales overall have fallen sharply, Rigby said Alliance had, "oddly enough," fared pretty well. As retailers adjusted the space they had for entertainment in stores, more became interested in outsourcing the management of those categories to companies like Alliance to streamline overhead, Rigby said.