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Investor Group Emerges to Acquire Saturn

- Black Oak LLC and Saturn Retailers Strive to Save 10,000 American Jobs-

DALLAS, April 15, 2009 -- An investor group that includes private equity firm Black Oak Partners, LLC, working together with a number of Saturn retailers, announced today that it has approached General Motors (GM) about acquiring and operating the principal assets of Saturn Distribution Corporation (SDC) as a diversified automobile distributor and retailer. SDC is the legal entity that franchises with Saturn retailers today.

A "new" Saturn Distribution Corporation (nSDC) is envisioned as a unique model for new car retailing in the United States – a model built on Saturn's customer-centric, low-hassle sales and service model. The company will leverage Saturn's brand and source products from OEMs for distribution through Saturn's existing network of approximately 440 US and Canadian retailers. The new SDC will become a model of lean-distribution that leverages unique Saturn equities, like "market area approach".

nSDC will initially source vehicles from GM, but expects over time to offer smaller, fuel-efficient vehicles from a range of manufacturers under its traditional business model of high customer service. It will retain a light vehicle design function that will help other manufacturers tailor their product offerings to meet Saturn's brand style and customer needs. As envisioned, nSDC will engage in no direct manufacturing activities itself.

The nSDC model will leverage the strengths of the existing Saturn retail network and distribution management team to pursue opportunities created by the changing structure of the global auto industry. nSDC's role will be product sourcing, quality assurance, distribution, competitive analysis/positioning and national branding.

"As an independent retailer, the creation of nSDC will satisfy the primary interests of all existing stakeholders," said John S. Pappanastos, a spokesperson for the investment group. "GM will be relieved of liabilities related to retailer franchise agreements and avoid the downstream financial fallout on their other brands that would result from closing Saturn retail facilities. Saturn retailers, on the other hand, will be provided with an exciting opportunity to secure a return on their existing investment. And taxpayers will be able to salvage more than 10,000 retail jobs that might otherwise be lost in a GM reorganization, as well as mitigate the potential for substantial local economic impact from Saturn retailer bankruptcies."

nSDC's low-asset, lean-distribution model will offer a number of advantages in the current environment, and the Saturn network will provide the ideal platform for creating this model instantaneously.

- nSDC will leverage global manufacturing and engineering capacity to source world-class products manufactured to its own exacting high-level design and engineering specifications. nSDC will offer a portfolio of products tailored to meet region-specific customer preferences rather than strive to ubiquitously “push” product through its network.
- Vehicles sourced from global manufacturers will in most, but not all cases, be offered under Saturn’s brand, a brand that has traditionally resonated with a loyal niche of progressive, environmentally-minded consumers who place a high value on a “no hassle” sales and service experience. Vehicle demand from this customer niche has consistently supported annual Saturn sales of 250,000 vehicles in previous years.
- As an independent retail company, nSDC expects to become a leading channel for bringing innovative new products rapidly to market, focusing initially on electric vehicles.
- Saturn’s standalone stores provide coverage throughout the US and Canada under a “market area approach” (MAA) that reduces retailer overlap and inter-retailer competition. The network is lean enough to minimize excess costs and will require less inventory to service it. The MAA model increases vehicle throughput per retailer, allowing the retailer to focus on competing against non-Saturn retailers.
- The number of retailer locations facilitated by the MAA model also aligns with a marketing approach that fully leverages the brand equity already created by GM. For example, internet leads can be forwarded to the closest retailer versus the free-for-all that internet leads have become in the existing OEM distribution model. The right-sized distribution network will thereby achieve a high level of inter-retailer collaboration, where retailers will find it in their mutual interest to draw upon one another’s inventories to meet immediate market opportunities.

“Our goal is to build upon an iconic brand supported by a strong national network of retailers that fundamentally share a vision for delivering a best-in-class customer experience,” said Pappanastos. “We appreciate GM’s, as well as the US Government’s, support in this effort.”

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